

THE DEPARTMENT OF STATE BULLETIN

VOL. XI, NO. 284

DECEMBER 3, 1944

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THE DEPARTMENT OF STATE
BULLETIN



Vol. XI • No. 284 • PUBLICATION 2222

December 3, 1944

The Department of State BULLETIN, a weekly publication compiled and edited in the Division of Research and Publication, Office of Public Information, provides the public and interested agencies of the Government with information on developments in the field of foreign relations and on the work of the Department of State and the Foreign Service. The BULLETIN includes press releases on foreign policy issued by the White House and the Department, and statements and addresses made by the President and by the Secretary of State and other officers of the Department, as well as special articles on various phases of international affairs and the functions of the Department. Information concerning treaties and international agreements to which the United States is or may become a party and treaties of general international interest is included.

Publications of the Department, cumulative lists of which are published at the end of each quarter, as well as legislative material in the field of international relations, are listed currently.

The BULLETIN, published with the approval of the Director of the Bureau of the Budget, is for sale by the Superintendent of Documents, United States Government Printing Office, Washington 25, D. C., to whom all purchase orders, with accompanying remittance, should be sent. The subscription price is \$2.75 a year; a single copy is 10 cents.

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Resignation of Cordell Hull as Secretary of State

[Released to the press by the White House November 27]

The text of Mr. Hull's letter of resignation to the President follows:

NOVEMBER 21, 1944.

MY DEAR MR. PRESIDENT:

It is with inexpressible disappointment that I find it necessary, for considerations of health, to retire from public service. I, therefore, with utmost regret, tender herewith my resignation as Secretary of State.

It is a matter of special satisfaction to me that throughout my almost twelve years at the Department of State, our personal relations have been uniformly and invariably agreeable and that, by our joint efforts, many difficult tasks growing out of the foreign relations of this country before and during this war have been brought to partial or full completion; many great questions have been faced successfully; and many forward movements of surpassing importance to friendly relations among nations have been instituted.

As the war draws to a close there remains a vast area of complex and difficult conditions and problems which must be dealt with in the months and years immediately ahead. It is a supreme tragedy to me personally that I am unable to continue making my full contribution to such great international undertakings as the creation of the post-war peace organization, the solution of the many other problems involved in the promotion of international cooperation, and the final development of a full and complete structure of a world order under law.

When I recover my strength, I shall individually be always at your service in every possible way.

Sincerely yours,

CORDELL HULL

The President's reply to Mr. Hull follows:

NOVEMBER 21, 1944.

MY DEAR CORDELL:

Your letter of this afternoon has hit me between wind and water. It has been very sad for me even to contemplate the ending of our close relationship during all these twelve years. It is not merely that our personal relations have been so uniformly and invariably agreeable, or that our joint work has borne true success in so many fields, as it is the personal feeling of not being able to lean on you for aid and intimate interchange of thought.

This is especially true because we have come so far along the road of friendly relations among nations that I have counted so much on your help in carrying this work through the final stage of complex and difficult conditions which still face us.

Your health is honestly my first thought, and I am really confident that you will be on your feet again in a relatively short time, even though you are limited to special tasks and avoid the daily routine of Department work. As of today, therefore, you must devote all your thought to getting back on your feet and on this all your friends will join in helping.

I will, of course, accept your resignation as Secretary of State if you want me to do so. But I wish you would, as an alternative, allow me to accept it as of January twentieth, which is the end of our Third Term. Perhaps sentiment enters into this suggestion a little bit, but it would give me great satisfaction if we should round out the three terms. That means two months more, and during that time I could see you from time to time and get your advice on some of the things that will come before us.

Incidentally, when the organization of the United Nations is set up, I shall continue to pray

that you as the Father of the United Nations may preside over its first session. That has nothing to do with whether you are Secretary of State or not at the time, but should go to you as the one person in all the world who has done the most to make this great plan for peace an effective fact. In so many different ways you have contributed to friendly relations among nations that even though you may not remain in a position of executive administration, you will continue to help the world with your moral guidance.

With my affectionate regards,

As ever yours,

FRANKLIN D. ROOSEVELT

Message From the Acting Minister of Foreign Affairs of Brazil

[Released to the press November 29]

I regret profoundly your resignation, for reasons of health, from the office of Secretary of State which Your Excellency exercised during nearly twelve consecutive years with an elevation of spirit and sentiment that earned for you the unanimous respect of the civilized world. The Brazilian Government will never forget the great moral figure of the sincere friend whose cooperation never failed during these difficult war years. Accept with my hopes for your prompt recovery the assurances of my cordial esteem and high consideration.

PEDRO LEÃO VELLOSO

Reply of the Secretary of State to the Acting Minister of Foreign Affairs of Brazil

[Released to the press November 29]

I deeply appreciate your kind message of November 28 on the occasion of my resignation as Secretary of State of the United States. You may be assured that my sincere personal interest in the welfare of the government and people of Brazil will continue undiminished and I shall always consider it a privilege to be of service to Your Excellency.

CORDELL HULL

¹ His Excellency Joaquín Fernandez.

² The Right Honorable Anthony Eden.

Message From the Representative of the French Provisional Government in Washington

[Released to the press November 28]

At this time, when Your Excellency is leaving the high function you have so brilliantly fulfilled for twelve years, allow me to express to you my profound regret at your departure and my feelings of personal gratitude for the kindness you have shown me in the performance of my duties.

The eminent service that you have rendered the common cause of the democracies, the essential part you have taken in the building of international security through the cooperation of all free peoples, will never fade in the memory of man, and France, for whom you have so often expressed such profound feelings of friendship, will always remember you.

Please accept my most sincere wishes for your prompt recovery and allow me to assure you, my dear Mr. Hull, of my highest consideration.

HENRI HOPPENOT

Message From Prime Minister Churchill

[Released to the press November 28]

On relinquishing your office I want to assure you of my admiration for your long service in such exacting times. I hope you may soon be restored to health and able once more to bring to our counsels the great weight of your experience and wisdom in international affairs.

Message From the Foreign Minister of Chile¹

[Released to the press November 29]

On Your Excellency's relinquishing because of health the high functions which you discharged with such brilliance and success, I beg you to receive my warmest best wishes and fervent hopes for your quick recovery.

Message From the Secretary of State for Foreign Affairs of Great Britain²

[Released to the press November 29]

I learned with most profound regret of your resignation, realizing keenly how staunch and wise a friend we are losing from the Department

of State over which you have presided so many testing years. To me personally your kindness and help in Washington and then in Moscow will be an abiding memory of which I shall always be proud.

I wish you an early and complete recovery and rejoice that your voice will still be heard in your country's councils on those great matters in which you have played so preponderant and inspiring a part.

Message From the Prime Minister of New Zealand¹

[Released to the press December 2]

I have heard the news of your resignation because of ill-health with the deepest regret. The New Zealand Government and people have always had the greatest possible respect for your high integrity and the sureness and shrewdness of your outlook, nor will they forget your unfailing regard for the rights and dignity of the smaller powers. My colleagues and I wish you well in your retirement and hope an easing of your heavy burdens and responsibility will restore you to complete health. Warmest personal regards.

Message From the Minister of Foreign Affairs of Venezuela

[Released to the press December 2]

The notice of your resignation as Secretary of State, which Your Excellency has just presented, has caused sincere sorrow to the Government and people of Venezuela who know and appreciate keenly the constant evidences of friendship which you gave to this country and your felicitous efforts to strengthen the relations between the United States and Venezuela. During long years Your Excellency worked tirelessly on behalf of the Pan American ideal and the principles of democracy and liberty in the world, confirming thereby the high character of the foreign policy of your great nation. Those who like myself have had the privilege of collaborating with Your Excellency and of enjoying your friendship, evoke

always with veneration and as encouragement to their own efforts the name of one of the most notable men in public life in the United States.

Permit me, Your Excellency, to express the most fervent wishes for the recovery of your health and to express my gratitude for the personal kindness which you have not ceased to show.

I remain [etc.]

C. PARRA PEREZ

Reply of Mr. Hull to the Minister of Foreign Affairs of Venezuela

[Released to the press December 2]

I acknowledge with deep appreciation your very friendly and thoughtful message of November 29, 1944, regarding my resignation. In conveying my thanks to you and to the Government and people of Venezuela, I should like to express my gratitude for the cooperation and personal friendship which Your Excellency has always extended to me.

CORDELL HULL

Message From the People's Commissar for Foreign Affairs of the Soviet Union²

[Released to the press December 2]

Highly valuing your friendliness and the persistence which you have shown in the course of the development of relations between our countries, I learned with profound regret that the condition of your health does not permit you to continue duties as Secretary of State. Personal contact with you in Washington and during the memorable Moscow Conference left me with a feeling of deep satisfaction.

I wish you good health and hope that your knowledge and experience will continue to serve the cause of collaboration between the United States and the Soviet Union as well as between other United Nations for the achievement and cementing of our common victory.

Joseph V. Stalin sends you his regards and wishes of good health.

¹ The Right Honorable Peter Fraser.

² V. M. Molotov.

Appointment of Edward R. Stettinius, Jr.,¹ as Secretary of State

EXCHANGE OF LETTERS BETWEEN CORDELL HULL AND EDWARD R. STETTINIUS, JR.

[Released to the press November 28]

The text of a letter from the Secretary of State to the Acting Secretary of State follows:

NOVEMBER 28, 1944.

DEAR ED:

I want to send you this personal note to express my sincere felicitation upon your appointment as

¹Edward Reilly Stettinius, Jr., industrialist and Government official, was born in Chicago, Illinois, Oct. 22, 1900. He is the son of Edward Reilly and Judith (Carrington) Stettinius. His paternal great-grandfather, Samuel Endredy Stettinius, came to America from Stettin, Germany, in the 18th century and settled in what is now the District of Columbia. His grandfather, Joseph Stettinius, was a merchant in Paducah, Kentucky, and St. Louis, Missouri. His father was, in the course of his career, President of the Diamond Match Company, a partner in the banking house of J. P. Morgan & Company, and, during the first World War, Assistant Secretary of War, in charge of Munitions. Edward R. Stettinius, Jr., prepared for college at the Pomfret School in Connecticut and from 1919 to 1924 he attended the University of Virginia. While at the University he became president of his class and of the Y. M. C. A.; he was a member of several student societies and head of the student honor system and conducted a student employment bureau. After a tour of Europe with a college classmate in the summer of 1924 he entered the employ of the Hyatt Roller Bearing division of the General Motors Corporation. Starting as a stockroom clerk, he was later placed in charge of the employment office and became employment manager. In 1926 he was made assistant to John Lee Pratt, vice president of General Motors Corporation. In 1930 he became assistant to Alfred P. Sloan, Jr., president of the General Motors Corporation and in the following year was elected vice president of the Corporation, having charge of public and industrial relations. In 1932 Mr. Stettinius was in active charge of the share-the-work movement in the second Federal Reserve district, and in 1933 he was in Washington as liaison officer between the Industrial Advisory Board of the NRA and the NRA organization. Resigning from the General Motors Corporation in 1934, he became vice chairman of the Finance Committee of the United States Steel Corporation, assuming his duties on Apr. 1, 1934. In the fall of the same year he was again called to Washington to act as special adviser to the Industrial Advisory Board, remaining there until the following December. On Jan. 1, 1936 he was

Secretary of State. This is a highly merited tribute to you on the part of the President for your outstanding record of public service. I am very happy indeed at this signal recognition of your splendid qualifications and demonstrated capacity for leadership.

At the same time I wish to convey to you my warmest thanks for the loyal and steadfast sup-

named chairman of the Finance Committee of the United States Steel Corporation and became a member of the Board of Directors. In April 1938 he succeeded Myron C. Taylor as chairman of the Board of the Corporation. He continued as a member of the Finance Committee. In 1939 he was again called temporarily into the public service as chairman of the War Resources Board. The President in May 1940 appointed the Advisory Commission to the Council of National Defense and selected Mr. Stettinius as one of its members, placing him in charge of industrial materials. As a result of this appointment he resigned the chairmanship of the United States Steel Corporation and severed his other business connections and disposed of securities over which he had direct control to serve the Government without remuneration. In January 1941, on the establishment of the Office of Production Management, Mr. Stettinius became Director of Priorities.

He served as Director of Priorities until September 1941, when Mr. Roosevelt appointed him Special Assistant to the President and Lend-Lease Administrator. In September 1943 Mr. Stettinius was appointed Under Secretary of State.

Mr. Stettinius is an alumni trustee of the University of Virginia and a member of the Board of Visitors of the University of Virginia; a trustee of the Roosevelt Hospital, the Community Service Club of New York, the Massachusetts Institute of Technology, the Brookings Institution, and the National Foundation for Infantile Paralysis; a member of the Central Committee of the American Red Cross; a director of the Church Society for College Work; a member of Delta Psi and the Union Club (New York City); holds an honorary LL. D. from Union College, Colgate University, New York University, Rutgers University, and Stevens Institute of Technology. He was married in Richmond, Virginia, May 15, 1926, to Virginia Gordon Wallace, daughter of the late William Jefferson Wallace and Hallie Cooke Wallace, and they have three children: Edward Reilly, III, Wallace, and Joseph Stettinius.

port you invariably gave me while you served as Under Secretary of State. Your work was of the very highest order, and our relationships, both personal and official, were always characterized by a spirit of splendid harmony and teamwork. I shall always cherish the association I was privileged to have with you.

When I am restored to health I shall stand ever ready to be of such assistance to you as lies in my power.

With all good wishes for every success in the discharge of the duties and responsibilities of your high office at this critical time, I remain,

Sincerely yours,

CORDELL HULL

[Released to the press December 1]

The reply by the Secretary of State to Mr. Hull follows:

DEAR MR. HULL,

I wish to thank you from the bottom of my heart for your generous note of November 28 upon my appointment as Secretary.

In accepting the appointment I am fully conscious of the very great responsibilities of the office which you have filled with such high honor

Confirmation

On November 30, 1944 the Senate confirmed the nomination of Edward R. Stettinius, Jr., as Secretary of State.

to yourself and benefit to our country and the world during the past twelve years. I shall be strengthened for the task ahead by the knowledge that I have your confidence and support.

Never before in my life have I had an association which has meant more to me. It has been a great honor and privilege to have served under your inspiring leadership and I shall always be grateful for the counsel and friendship which you have so generously given to me.

I am looking forward to the day when your health will be restored and it will be possible for me again to have the benefit of your wise advice and judgment.

With every hope that you will have a speedy recovery and with assurance of my respect and esteem,

Faithfully, your friend,

ED

CEREMONY ON THE OCCASION OF ADMINISTERING THE OATH OF OFFICE

[Released to the press December 1]

Mr. Stettinius made the following statement to the press and radio news correspondents at the Department of State at the time of taking the oath of office as Secretary of State:

"The friendly relationship which I have enjoyed with you here in the Department has been a source of pleasure to me, and as Secretary of State I look forward to continuing that relationship with you in the future. I know that you will feel free to take up with me at any time ways and means in which I or the Department can assist you in carrying out your very important duties here of informing the American people in regard to day-to-day developments in our foreign policy and our relations with foreign countries.

"I should like in these first words as Secretary of State to pay tribute to Cordell Hull, whom we all hold in a very special place of affection and high esteem.

"Cordell Hull stands out as a truly great statesman and humanitarian. He early saw and warned against the dangers from the forces of tyranny and aggression that confronted us. In our darkest hours he was steadfast in his faith in the objectives which he proclaimed. With vision and a sure hand he began under the President's direction the great task of building the foundations for a secure and lasting peace.

"I now take up the heavy responsibilities which Cordell Hull, unfortunately for all of us, has found it necessary to relinquish. I do so humbly and with a deep sense of dedication. I shall do my utmost to

carry out the high principles for which Mr. Hull has always stood in the conduct of our foreign policy. To build from the havoc of this war a peace that will endure is a task far beyond the strength and wisdom of any one man or group of men. It will require the active participation and support of all the American people—and of all the other peace-loving peoples of the world.

"In this task we must not fail. To this task I dedicate myself in the sure knowledge that together we will not fail."

[Released to the press December 1]

There follows a list of guests invited to attend the ceremony on the occasion of administering the oath of office to the Honorable Edward R. Stettinius, Jr., as Secretary of State:

Mrs. Cordell Hull	Mrs. W. C. Stettinius
Justice and Mrs. Jackson	Mr. Oscar Cox
Senator and Mrs. Byrd	Mr. and Mrs. John Lee Pratt
Gen. George Marshall	Mr. and Mrs. Utz
Mr. Harry Hopkins	Mrs. Frank Allen
Mrs. Edward R. Stettinius,	Mrs. John Marsh
Jr.	Mr. Wilder Foote
Edward R. Stettinius, III	Mrs. Hugh O'Donovan
Joseph Stettinius	Miss Betty Stettinius
Wallace Stettinius	Col. Frank McCarthy, Aide
Mrs. William J. Wallace	to General Marshall
Mr. and Mrs. Juan Trippe	

MEMBERS OF STAFF AND STATE DEPARTMENT OFFICIALS ATTENDING CEREMONY

Mr. Robert J. Lynch	Mrs. Emma L. Totten
Mr. Hayden Raynor	Mrs. Elizabeth Morrison
Mr. Hathaway Watson	Mr. George T. Summerlin
Mr. Horton Henry	Mr. H. Freeman Matthews
Miss Margaret Siewers	Mr. Carlton Savage
Mr. Lee Blanchard	Mr. Charles E. Bohlen
Mr. George Conn	Mrs. Blanche Rule Halla
Miss Mary McDonnell	Mr. Alger Hiss
Miss Catherine Gubisch	Mr. Samuel Boykin

LIST OF POLICY COMMITTEE MEMBERS ATTENDING CEREMONY

Mr. Dean Acheson	Mr. John G. Erhardt
Mr. G. Howland Shaw	Mr. Joseph C. Grew
Mr. Green H. Hackworth	Mr. Bernard F. Haley
Mr. Leo Pasvolksy	Mr. Wallace S. Murray
Mr. Michael J. McDermott	Mr. John C. Ross
Mr. Norman Armour	Mr. Charles P. Taft
Mr. John S. Dickey	Mr. Edwin C. Wilson
Mr. James Clement Dunn	Mr. Charles W. Yost

Gift of Property From the Emperor of Ethiopia

[Released to the press November 29]

President Roosevelt has acknowledged with great appreciation the recent gift of property made to the United States Government by His Imperial Majesty Haile Selassie I, Emperor of Ethiopia. By the President's formal acceptance on behalf of this Government of this magnanimous gift absolute title to the realty and premises of the present headquarters of the American Legation in Addis Ababa, together with the furnishings and valuables thereof, is conveyed into the possession of the United States. This property will constitute a permanent home for the American Legation in Ethiopia.

The estate consists of approximately 10 acres together with a fine furnished residence, formerly the ancestral property of the royal family. An additional 10 acres have been generously provided to meet the expanding office and housing requirements of the American Legation staff. The location of this property is conveniently near the official buildings of the Ethiopian Government.

There follows a translation of the letter from the Emperor of Ethiopia which was addressed to President Roosevelt:

THE IMPERIAL PALACE,
Addis Ababa, 24th August, 1944.

GREAT AND GOOD FRIEND:

It gives us great pleasure to give over to you as Chief of the great and friendly Power, the United States of America, in fee absolute and in full and complete title and possession, the realty and premises, together with all appurtenances thereto and furnishings and moveables located thereon, on which is situated at Addis Ababa the Legation of the United States of America, together with certain additional realty specified in an attached document and deemed to be necessary and proper in order to provide an appropriate residence for the diplomatic representative of a Power so highly esteemed as is the Nation of which you are the Chief.

In giving over this property, it is Our pleasure to be giving personally to you and through you to the American Nation, ancestral property of the Royal Family. May the measure of Our particu-

lar attachment to it serve to indicate in a small way, the measure of Our attachment and the attachment of Our people, to that great Power which has ever stood by Us and Our Nation in the hour of need, and to its esteemed Chief, the President of the United States of America.

Your good Friend,

HAILE SELASSIE I. K. of K.

The text of the reply made by President Roosevelt in response to the above message follows:

NOVEMBER 28, 1944.

GREAT AND GOOD FRIEND:

I have received with very great appreciation your generous letter of August 24, 1944, in which Your Majesty has graciously conveyed to the United States of America absolute title and possession of property situated in Addis Ababa, together with all appurtenances, furnishings, and valuables located thereon, and certain additional realty deemed to be necessary and appropriate to the representation of the United States in Ethiopia.

In the name of the United States I accept these gifts in the same cordial spirit of friendship in which they have been offered, and I welcome this added testimonial of the attachment that so happily binds our two peoples together in bonds of permanent understanding and mutual respect.

Your Good Friend,

FRANKLIN D. ROOSEVELT

United Maritime Executive Board Session

Beginning on November 20 and continuing through November 24, 1944, the first session of the United Maritime Executive Board was held in Washington under the chairmanship of Vice Admiral E. S. Land, War Shipping Administrator. This Board was established by agreement among members of the United Nations as a result of a conference held in London in July and August of this year; it will be responsible for coordination of United Nations shipping for a certain period after hostilities cease with Germany or Japan, whichever is the later.

The contracting governments participating in the session as members of the Board were repre-

sented by Vice Admiral Land, United States; Sir Cyril Hurcomb, United Kingdom; Mr. A. B. Speekenbrink, Netherlands; and Mr. Peter Simonson, Norway. The associate members of the Board were represented by Mr. H. R. Rueff, Belgium; Mr. A. L. W. MacCallum, Canada; His Excellency Cimon P. Diamantopoulos, Ambassador of Greece, Washington; and Mr. W. Domaniewski, Poland.

During the course of its meetings the Executive Board approved and adopted the report of the Planning Committee, which was completed in London during the month of October. The Board also dealt with a number of practical matters which will arise when the United Maritime Authority commences to operate at the time of the defeat of Germany.

The Planning Committee report, adopted by the Board, was based upon the establishment of two branches, one in London and one in Washington. In each of these branches there will be established certain committees corresponding to administrative structure of the Ministry of War Transport and the War Shipping Administration. These committees will be composed of representatives of the four nations comprising the Executive Board. Representatives of other contracting nations concerned will participate in matters relating to their own problems. In general the machinery adopted by the Board is based upon the existing machinery for the wartime control of shipping, with only such changes as appeared necessary to meet the altered situation which will exist at the time the United Maritime Authority comes into operation. The proposals contemplate the utilization of established shipping organizations such as liner conferences in carrying out the purposes of the United Maritime Authority.

Arrangements were made for certain of the standing committees proposed in the Planning Committee's report to be established in advance of the defeat of Germany, which it is expected will be prior to the defeat of Japan, in order that preparatory work may be carried out to ensure the smooth working of the machinery when required. Arrangements were also made for a further meeting of the Board early in 1945 in London and a full meeting of the United Maritime Council shortly after the cessation of hostilities with Germany, at which would be represented all nations then comprising the United Maritime Authority.

Post-War International Economic Problems

STATEMENT BY ASSISTANT SECRETARY ACHESON¹

[Released to the press November 30]

I much appreciate this opportunity to discuss with you some post-war international economic problems and to tell you the lines along which we have been working in the Department of State.

What we are all working for is peace abroad and liberty and prosperity at home. These go together. Without security few nations can follow courses which lead to high and rising standards of living. On the other hand, there can be little international security in a world in which the life of the people is unsatisfactory and insecure. This is recognized in the proposals of the Dumbarton Oaks conference, and we need to remember it in our consideration of economic problems.

The principal economic goal of this country—of workers, farmers, businessmen, and Government—is the maintenance of full employment and prosperity, free from excessive fluctuations, with steadily rising levels of income. If we could achieve this we should have made a colossal contribution to the solution of our own and the world's problems of security and prosperity. If our national income continues to move back and forth between \$60,000,000,000 and \$150,000,000,000 there is little prospect of success for any international economic program. There is unanimous agreement that the object of public policy and private endeavor must be to assure that the productive capacity of this country, which we have proved in time of war, shall continue to be maintained for the satisfaction of the needs of peace.

The maintenance of high levels of income and employment will result in part from the need of the rest of the world for the goods and services which this country can supply. The markets of the world have always absorbed a substantial part of our output. In addition, the devastation which has fallen on the war-torn areas has increased the need of those countries for the food, clothing, and machinery which this country can supply to them. Other parts of the world have had their produc-

tion suspended or diverted into emergency channels because they were unable to obtain many of the goods which they would have used in peacetime for industrial and agricultural development. They too will need many things.

To a limited extent, we shall make some of these goods available as relief for immediate distress arising out of the war. The Congress has already authorized the appropriation of \$1,350,000,000 as the contribution of this country to the work of the United Nations Relief and Rehabilitation Administration. This will meet only a very minor part of the needs of these countries. No one would propose that the bulk of the long-term needs of the world for American goods should be met by direct contributions. Other countries must, therefore, have the means of paying for the goods which they require from us, either in the form of goods and services sold to this country, or by the temporary deferment of payment through the extension of credits. Therefore we shall need to extend short-term credits to countries which are unable immediately to produce for export in amounts adequate to pay for their imports, and longer-term credits for many of the capital goods which those countries will need for reconstruction and for economic development.

This, however, is only part of the picture. To some extent the export opportunities to which I have just referred are of a non-recurring nature, and they would not by themselves operate to sustain a large market for American products over a long period of time. If we are to receive repayment for credits extended, and if we are to maintain the foreign markets which are required for a high level of employment and activity in this country, both we and other countries will have to re-examine and revise our past policies under which international trade was put in shackles and production was restricted or diverted into costly and uneconomic lines.

The difficulties and dangers of the post-war situation will be acute. There has been enormous destruction of plants and transport. Governments everywhere have taken detailed charge of economic affairs in order to prosecute the war effectively and

¹ Made on Nov. 30, 1944 before the Subcommittee on Foreign Trade and Shipping of the Special Committee of the House of Representatives on Post-War Economic Policy and Planning.

have learned the techniques of economic warfare. Many countries have had to dispose of their foreign assets and other sources of their earnings from abroad and will find it difficult or impossible to make payment abroad for the things that they must have. This country, like the rest, will be faced with problems of great magnitude and difficulty in the reconversion of industry and the readjustment of agricultural production. In these circumstances it would be easy for each nation to attempt to meet its immediate problems by reducing its imports, forcing its exports, and thus endeavor to throw upon others the burden of absorbing its potential unemployment. It would not only be easy to drift into these policies, but it would be inevitable, unless we plan together to expand prosperity in all countries.

Fortunately our own self-interest dictates that we should collaborate with other countries in this endeavor. In article VII of the mutual-aid agreement of February 23, 1942 with the United Kingdom, and in similar agreements with many of our other Allies, we have already jointly recognized our common need for the expansion of production and employment and the exchange and consumption of goods. The language of this article, as you will recall, reads as follows:

"In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom in return for aid furnished under the Act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations. To that end, they shall include provision for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the Joint Declaration made on August 14, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom.

"At an early convenient date, conversations shall be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining the above-stated objectives by their own agreed action and of seeking the agreed action of other like-minded Governments."¹

In carrying into action the common agreement expressed in article VII the United States has both a great opportunity and a great responsibility. Because of our preponderant economic and financial strength we are in a position to assume leadership in the promotion of the necessary international economic policies, and we have an obligation to do so. Many other countries will feel that they cannot venture to commit themselves to the kind of international economic policy envisaged in article VII unless they can be reasonably certain that the United States can be counted on to give these principles full support. They look for some assurance that this country will stand ready through the processes of trade and investment to make available to them goods that they will need; that we will maintain a high level of prosperity in this country and reduce our own obstacles to trade, so that they may have prospects of making repayment for the goods we sell to them. If we give this assurance and join with them in the maintenance of stability in the foreign exchanges, essential to both investment and trade, then there is every prospect that they will be willing to join with us in these measures upon which depend the prospects of an increasing and stable prosperity throughout the world.

FOREIGN INVESTMENT: THE FINANCING OF RECONSTRUCTION AND ECONOMIC DEVELOPMENT

As I have already indicated, our own problems of reconversion will be diminished and reconstruction and further economic development of the rest of the world will be hastened if our capacity for producing capital goods can be utilized to satisfy the needs of other areas. In large part this is a problem of opening the channels of international capital movements and reviving the flow of foreign investment. The market for capital equipment has always depended on long-term credit. The need for this credit will be greater than ever because of the devastation of war.

¹ Executive Agreement Series 241.

The wise investment of United States capital abroad benefits the United States and the world at large. It provides an immediate market for United States products and, by developing foreign countries, increases the purchasing power of the peoples of those countries for foreign products including those of the United States. It contributes directly to economic expansion, to full employment, and to high levels of national income both here and abroad.

The international flow of long-term capital has been disrupted for years, by war, political uncertainty, and past excesses and abuses. It is unlikely that large sums of money will be invested abroad unless constructive action is taken. This means action to make private investment possible, and action to fill in the gaps by governmental assistance when private investment, at reasonable rates, is not forthcoming.

One such step was taken by the conference at Bretton Woods, at which plans for the International Bank for Reconstruction and Development were worked out and an agreement drawn up which is now before the United Nations for their consideration.¹

Private foreign lending must be on a basis which protects the interests of both investors and recipients of the capital if it is to revive and serve its purpose. The Bank is designed to promote this condition, in part by making direct loans itself, but mainly by guaranteeing loans, placed through regular private investment channels, which meet certain standards approved by the Bank. Such loans would need to be scrutinized both from the standpoint of their investment soundness and their broad economic aspects. Loans would not be guaranteed if they imposed onerous or unreasonable conditions upon the borrower, or if the Bank considered them undesirable from the standpoint of the investor.

The Bank would eliminate certain risks and spread widely those risks which could not be avoided, and it would do this in ways which supplement and support, rather than compete with, private investment. The risks, under the agreement, would be spread internationally among the member countries.

The Bank would greatly help in regularizing the flow of investment, in reducing wide fluctuations therein, and in raising the levels of economic activity in the nations of the world.

A second step is the supplementation of the resources of the Export-Import Bank, which, since 1934, has assisted in financing the export of agricultural products, industrial machinery, and other capital goods by underwriting short-term credits and making long-term loans for construction and development projects. It has operated principally in collaboration with and through private American banks, manufacturers, exporters, and engineering firms. The present funds of the Bank are very small in relation to the extensive needs, and they are, to a large extent, already utilized. The Bank now has available for new operations only about 200 million dollars.

The Export-Import Bank has proved a most useful instrument by which this Government could aid in counteracting the economic dislocations arising out of the war. It is now being asked to make loans for the reconstruction of devastated plants and transport systems, for restocking, and for the rebuilding of trade. The needed expansion of its activities would not be in competition with, but as a supplement to, those of the International Bank for Reconstruction and Development. It can, moreover, continue to be useful in financing medium and short-term United States foreign trade, and in other operations not directly within the province of the International Bank. The Export-Import Bank, finally, is a going institution with 10 years of experience and can be of special assistance in meeting immediate and urgent needs pending the establishment of the International Bank, which will necessarily require time.

The United States Government has before it at present requests for loans from several foreign governments. The Export-Import Bank is the logical agency through which to extend whatever financial aid this Government proposes to extend directly to other countries in the transitional and post-war period. If the Bank is to make some of these loans, however, it needs to be relieved of the ban on loans to governments which are in default to this Government.

It would be equally desirable to remove the ban imposed by the Johnson act on private lending to governments in default to this Government. That

¹ *United Nations Monetary and Financial Conference*. Department of State publication 2187. See also BULLETIN of Nov. 5, 1944, p. 539.

act, as well as the provisions of the Export-Import Bank statute just referred to, was directed at governments in default on debts arising out of the first World War. Conditions have changed greatly since this act was adopted, but it still stands in the way of extension of urgently needed loans to the principal European governments and is therefore a barrier to American participation in the rehabilitation of international trade. The unavailability of private capital, due to the act, increases the need for government loans for reconstruction and other purposes.

FOREIGN EXCHANGE STABILITY

A second broad field in which national action and international collaboration are requisite, both for the restoration of long-term investment and of current foreign trade, is the assurance of orderly relations and stability in the foreign exchanges. Foreign investment and financial transactions that are spread over a period of time require reliable currency units and the assurance that interest and principal can be converted into the lender's own currency as they fall due. Exporters are not inclined to export unless there is reasonable assurance that they will get paid in money of definite value which can readily be transferred into their own currency. If trade does not move because of faulty currency and exchange conditions, production is slowed down or hindered, and workers are unemployed. We need to be sure therefore that we have a foreign-exchange mechanism adequate to carry the load imposed on it by the world's investment and trade requirements.

An exchange rate by its nature concerns more than one country. Orderly and satisfactory international financial relationships are impossible unless nations have some understanding in this field and work together toward common ends. Machinery for such cooperation would be provided by the International Monetary Fund, the proposed agreement for which was drawn up at the United Nations Monetary and Financial Conference held at Bretton Woods last July.

This plan represents the joint efforts of the technical experts of 44 nations to define the "rules of the game" in the field of currency and exchange. It is the outcome of discussions between these experts over an extended period.

The Fund is designed to provide machinery for making the currencies of its members as freely

interconvertible as possible. Such interconvertibility would be at established rates, and would make possible the conduct of foreign trade and other financial transactions with a minimum of risk and difficulty arising from the existence of different currency systems. The plan proposes a system wherein traders would be able to buy or sell in any market of the world, wherever this can be done to the greatest advantage. It discourages arrangements whereby trade is artificially restricted or channeled here or there, but instead aims toward the establishment of a broad multilateral trading system wherein trade can expand and its full benefits be realized.

Other countries are waiting to see what action the United States will take with respect to this proposal, the formulation of which has been sponsored to a large extent by this Government. Our action will be considered as an indication of whether the United States is going to participate in a cooperative approach to international economic questions in the post-war period.

I should like to emphasize that the accomplishments of the Bretton Woods conference, if approved by the United States, will have carried us much further than is commonly recognized toward the accomplishments of the objectives which we all share as set forth in article VII of the mutual-aid agreements. The proposed articles of agreement for the Fund and the Bank are not merely financial documents. Together they would establish two institutions which can go very far indeed toward restoring the conditions under which an orderly international trade can again be established. In providing for the interconvertibility of currencies, for the ready availability of any country's currency, for the earliest possible elimination of exchange controls and instruments of economic warfare, and in numerous other ways, these instruments would of themselves accomplish a reduction in many of the restrictions on trade and would eliminate the use of some of the most flagrant devices for discriminating against the trade of the United States by other countries.

RESTORING AND ENLARGING TRADE

Commercial Policy

The measures which I have discussed so far are largely in the nature of facilitating devices affording assurance that trade will not languish because of exchange instability or because of the absence of means of covering temporary gaps in the inter-

national balance of payments. More than financial measures alone are needed, however, if we are to realize over the long pull the potential benefits of an expanding world economy. The pre-war network of trade barriers and trade discriminations, if allowed to come back into operation after this war, would greatly restrict the opportunities to revive and expand international trade. Most of these barriers and discriminations are the result of government action. Action by governments, working together to reduce these barriers and to eliminate these discriminations, is needed to pave the way for the increase in trade after the war which we must have if we are to attain our goal of full employment.

In order to achieve this, we need to continue and to extend the efforts that we have made, through the reciprocal-trade-agreements program, to encourage an expansion of private foreign trade on a non-discriminatory basis. As a preliminary step, the special wartime controls of trade should be demobilized as rapidly as the wartime shortages, which gave rise to those controls, disappear. With respect to long-run adjustment of the pre-war network of trade barriers and discriminations, we are presented with a unique opportunity for constructive action in cooperation with other countries. Conversion from war to peace must occur in every country. The direction of that reconversion, the kinds of investments which businessmen will make, will depend in major part on the foreseeable regime of public regulation of production and trade. We therefore propose to seek an early understanding with the leading trading nations, indeed with as many nations as possible, for the effective and substantial reduction of all kinds of barriers to trade. The objectives of such an endeavor would be:

To eliminate all forms of discriminatory treatment in international commerce;

To make exchange restrictions on commercial transactions unnecessary, and to enable the financial arrangements proposed at Bretton Woods to have their full effect;

To achieve the progressive elimination of quotas, embargoes, and prohibitions against exports and imports;

To reduce import tariffs;

To lay down fair rules of trade, with reference to government monopolies and state trading, including trade between countries where private en-

terprise prevails and those where foreign trade is managed by the state;

To create an international-trade organization to study international-trade problems and to recommend practical solutions.

We propose, in other words, that this Government go on with the work which it has been doing during the last 10 years, even more vigorously, with more countries, and in a more fundamental and substantial way. The contribution of the United States to such a major effort for the reduction of trade barriers would obviously have to be in large part in the field of reduction in our tariff, since in peacetime the tariff is the principal measure that we have employed for restricting imports. It is our purpose in the Department of State to press forward as firmly as we can in the general direction I have outlined, consulting fully with the appropriate committees of the Congress. If exploratory discussions with representatives of other governments give encouragement to our efforts, a trade conference of the United and Associated Nations should be held at the earliest practicable date for the negotiation of an agreement for the reduction of all kinds of barriers to trade. This agreement would of course be submitted to the Congress for its consideration.

Private Trade Restrictions

Obviously our efforts to mitigate restrictions on production and trade will not be wholly effective if we permit business enterprises by agreement among themselves to impose restrictions on output, to divide markets, and to maintain prices. For this reason, a rounded international economic policy must take cognizance not only of governmentally imposed restrictions but also of the restrictive practices of international business agreements and of private combines.

In the time available, I shall not be able to discuss in any detail the nature of the so-called "cartel problem" and its relations to the other aspects of commercial policy. These have been the subject of investigation by several congressional committees in recent years, however, and their findings and reports are of course available to you.

Among the problems of public policy which international cartel arrangements present is the central question of the relation of private restrictions on production and trade to our objective of the maximum material well-being of the people of this and other countries in an expanding world

economy. By making commodities less plentiful and higher priced than they would otherwise be, such activities obviously reduce standards of living and opportunities for employment. By suppressing competition and in some cases by limiting research and access to new technology on reasonable terms, they tend to retard industrial efficiency and to limit employment and income. In addition they diminish or remove some of the economic incentives for the transfer of productive resources out of relatively inefficient uses and substitute the will of private interests for the decisions of the public in many aspects of commercial policy.

The letter of the President to the Secretary of State of September 6, 1944 sets forth succinctly the general framework within which the executive agencies of this Government are studying this question. In his letter the President points out that the American tradition in opposition to private monopolies "goes hand in glove with the liberal principles of international trade. . . . Cartel practices which restrict the free flow of goods in foreign commerce will have to be curbed. With international trade involved this end can be achieved only through collaborative action by the United Nations."¹

Under that mandate the executive agencies of the Government are attempting to determine the most fruitful means of reaching international agreement for the curbing of private restrictions on international commerce.

Commodity Agreements

Some commodities entering into international trade, particularly some foodstuffs and raw materials produced by many thousands of small individual producers, are particularly susceptible to extreme fluctuations in prices and to maladjustments in the scale and character of production. Even before the war there were a number of commodities which were in chronic surplus; the normal market-price mechanisms were not sufficient to achieve natural readjustments. The war, of course, has greatly accentuated existing maladjustments and has created many new maladjustments in commodities. For example, the United Nations, shut off from their normal sources of supply of many items, have greatly expanded their own output of those products that formerly were obtained from enemy or enemy-occupied territories. When the war ends and old sources of sup-

ply are reopened there may be tremendous surpluses of these commodities. Another type of surplus is likely to arise where production has been expanded many times over to meet a war demand that is much heavier than normal peacetime requirements. Here, too, serious surpluses may result.

The problem presented by such potential surpluses is two-fold. First, by creating chronic depression among producers they reduce the purchasing power of these groups and in some cases of entire countries. This in turn undermines efforts to maintain full employment and rising levels of income in all countries. Second, the governments frequently attempt to buttress the position of the producers of such surplus commodities by various unilateral policies of price support and by the reservation of domestic and colonial markets for their own producers. The aggregate effect of these efforts is often to demoralize the world market and precipitate international trade warfare. In some cases these disordered conditions may foster the growth of producers' arrangements which seek to impose an artificially contrived scarcity upon the world market.

International action for dealing with such problems in the past, chiefly in the form of commodity agreements, has been deficient in that it was chiefly directed toward the artificial restriction of output and bolstering of prices without removing the fundamental causes of the disequilibrium. Such commodity arrangements have not, for example, typically provided any incentive for the transfer of excess capacity and productive resources into other uses. If international commodity arrangements can be coupled with appropriate machinery designed to facilitate these basic adjustments, commodity agreements may, in specific cases, serve a useful function in assisting such adjustments to be made and in easing the otherwise distressed position of the producers during the transitional period.

It will be desirable, consequently, to seek agreement between governments that all international commodity arrangements of this type should be based upon an acceptance of certain fundamental principles, in order to insure that such arrangements shall subserve the broader purposes of an expanding world economy. Thus such arrangements should provide for equal representation of

¹ BULLETIN of Sept. 10, 1944, p. 254.

the interests of exporting and importing nations, i. e. of both producing and consuming nations. Such arrangements should also afford expanding market opportunities for the more efficient world producers as compared with relatively less efficient producers of the commodity in question. In cases where world productive capacity is clearly in excess of what will normally be required for the satisfaction of world demands at reasonable prices, international commodity arrangements should include programs for the shifting of high-cost resources out of the over-expanded industries into new and productive occupations. Commodity agreements of this type should run for a definite time period, and provision should be made for the periodic review of their operations by an international agency which would facilitate cooperation between governments in the solution of international commodity problems.

It should be emphasized that the purpose would certainly *not* be to promote indiscriminate recourse to international commodity agreements as a permanent or general method of organizing international trade. The purpose would be, rather, to furnish a means whereby special problems of burdensome commodity surpluses can be dealt with by international cooperation, and to forestall the development of dangerous international rivalry in the disposal of surpluses at any price.

INTERNATIONAL ECONOMIC ORGANIZATION

It will have been obvious from my foregoing remarks that there is a close relationship among the various elements in our international economic policy. All are designed to contribute to the same end, but each makes use of the tools most appropriate to the problem with which it directly deals. In my introductory remarks I also referred to the intimate relationship between our objectives for full employment and material well-being on the one hand, and for world security on the other. Full success in each field will be dependent upon progress in all others, and advance in one will facilitate and quicken progress in the others. The problem which this poses for us is to be able to see our economic policy as one piece and to keep its various parts mutually consistent without falling into the danger of insisting that before we venture upon action in any one field progress must have been made in all others. There is no more real danger in the field of international economic

collaboration than that we shall fall into futile debates of the chicken-and-the-egg variety.

One safeguard against these dangers is to be found in provision for a central international organization which, without having primary responsibility for any one field, would be able to keep an eye on the picture as a whole. This we may hope to accomplish through the general United Nations organization projected at the Dumbarton Oaks conference. One of the major organs of this body is the Economic and Social Council, in which is vested, under the authority of the General Assembly, responsibility for facilitating solutions of international economic problems. Without losing their individual identity, provision would be made for establishing close relationship between the Council and the various specialized agencies which will be required to facilitate international collaboration in the various fields, including those to which I have referred above. Among these agencies we already have the well-established International Labor Organization, which brings to bear upon international economic problems in its sphere the views of labor, management, and government.

As a result of the Hot Springs conference an interim commission of the United Nations has recently completed a proposal for an international organization in the field of food and agriculture. Similarly, the Bretton Woods proposals are expected to give rise to two other organizations, the International Monetary Fund and the International Bank for Reconstruction and Development. We shall also need international organization as a continuing international forum on the problems of international trade, commodity arrangements, and private business agreements. Most of these bodies, it may be anticipated, will be fact-finding and advisory; the Fund and the Bank will have operating functions; all of them will have in common the objective of promoting those conditions and adjustments in the economies of all countries of the world which will be conducive to reaching and maintaining an expanding world economy. The advisory and consultative functions of the Economic and Social Council can help to insure that the activities as well as the objectives of all of the various specialized bodies are in fact harmonious and consistent with each other.

So far as machinery is concerned, we shall have envisaged as much as seems possible and prac-

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The Export-Import Bank of Washington

The First Ten Years

By ELEANOR LANSING DULLES¹

NEW INVESTMENT INSTITUTIONS AND NEEDS

For several decades there has been a wide-spread desire for more order, discipline, and cooperation in the field of international investment. Because many nations are still largely undeveloped and because others are dependent for capital goods on wealthier or more highly industrialized lenders, there are real possibilities for profitable loans, and yet in the past some of the more promising investments have failed. The difficulty in securing an adequate flow of capital has been to some extent the lack of coordination of financial enterprise with diplomatic and political measures, the highly speculative point of view in some centers, and currency instability and exchange restrictions. In some cases fluctuations in exchange rates have been highly disturbing; in others the credit risk has proved to be too great; sometimes war and revolution have prevented repayment. A notable attempt to fit investment programs to a policy of constructive commercial and financial statesmanship and to aid commerce is found in the modest yet highly successful operations of the Export-Import Bank over a 10-year period.

The growing recognition of need for expert guidance in foreign lending and the development of international standards designed to safeguard both creditor and debtor was manifest during the inter-war period in other plans and proposals. The Young Plan conferees of 1929 thought that real progress could be made by imaginative financial cooperation through a world bank. Unfortunately the Bank for International Settlements, established in 1930, fell far short of these hopes. Later, proposals for an inter-American Bank have given another indication of concern with these matters in the Western Hemisphere. More recently the Bretton Woods proposal for an International Bank for Reconstruction and Development has shown a growing determination on the part of many nations to move toward balanced, supervised lending between countries.²

The war has brought new factors into the credit situation which are bound to influence future in-

ternational financial relations in ways difficult to predict. The lend-lease programs, developed in an endeavor to subordinate conventional financial considerations to the urgent requirements for goods and to various emergency demands, has led to new types of transactions. It has been made clear that where the need is sufficiently urgent and where governments control the expenditures, financial arrangements can be made to fit the goods transactions. Even wartime international transfers of a special nature are apt to influence future lending. To the growing body of experience and to the knowledge which will be important to future developments the Export-Import Bank can contribute its record of public participation in private international loans and of leadership of a public institution in foreign investment undertakings and also its history of advisory activities and selective support of developmental projects.

The Export-Import Bank has been limited in both scope and resources as compared with plans for future undertakings such as those outlined at Bretton Woods. It has nevertheless served to demonstrate some of the practical possibilities in the field of foreign investment. The capital available has been small; the United States acting alone has supplied the funds. The Bank can, however, serve as a model for several types of international loans whenever a larger and more ambitious international institution is created. The value of its experience will be shown particularly in instances where the nature of the enterprise and of the commodities needed, as well as their probable use, is known in advance. In any case the success of financial statesmanship, while thus far on a limited scale, can be reviewed to discover the effects of one type of collaboration and to anticipate the opportunities and limits likely to develop when international action of wider scope is undertaken.

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² BULLETIN of July 30, 1944, p. 114. See also BULLETIN of Nov. 5, 1944, p. 539.

The Bank has already shown the possibility of giving discriminating government support to private foreign business undertakings as well as to public projects. Its fairness and financial judgment in its dealings with United States banks and with foreign borrowers, both public and private, have been unquestioned. Its losses so far have been negligible. Its record of repayment has been excellent. There has been no hint of exaggeration or bias in its operations in the long congressional debates over its expansion and modification.

The success of the Bank in its assigned tasks is granted; however, there remains the question of what light its experience throws on the fundamental problems of foreign investment. How far can a nation go in extending credits and selling goods if there is no clear indication of the way in which goods can flow in the opposite direction to repay these loans? How can lending by the more powerful nations be carried on without encouraging dangerous forms of intervention by one country in the affairs of another? Is there a likelihood that private initiative and investible funds will shrink as public participation increases? It is not likely that the history of the Export-Import Bank can supply answers to all the main questions. Its operations have been bilateral rather than international in the broader sense. Its loans have not been large enough to place heavy interest burdens on the borrower or to dominate trade. Its influence has not been on a scale to raise the more difficult questions as to political pressures and economic imperialism. In these past years its ready acceptance by both lenders and borrowers suggests to some that if each transaction is carefully viewed on its merits, ways perhaps can be found to meet the more basic economic problems. To a limited extent the standards and techniques may serve as guides to future action. New plans need not lead to the discarding of old and tried measures. The larger institutions may move forward more assur-

edly with some familiar agencies as adjuncts and collaborators. Certainly in the Western Hemisphere the attitude toward international cooperation in investment is likely to be the more favorable because of the experience of the Export-Import Bank. The most pressing probably of all the problems confronting international investors is the nature of the role of the United States as lender and the development of United States trade policies consistent with its creditor position.

The Export-Import Bank during its 10 years has participated in loans totalling approximately half a billion dollars, although commitments have been much larger. The loans of the future through many sources and for many countries may be 10 or 20 times greater. The economic strain and stress will be multiplied in proportion. The need for well-balanced plans is obvious.

THE ORIGIN AND EARLY HISTORY OF THE BANK

The plan for the original Export-Import Bank developed out of the problems of financing trade with the recently recognized Soviet Government. The Bank was incorporated in the District of Columbia under an executive order of the President dated February 2, 1934.³ It was intended to assist in the financing of trade with the Union of Soviet Socialist Republics, but it later proved to be significant mainly in connection with commerce with the other American republics. In fact, because of the breakdown in debt negotiations no credits were ever granted to the Union of Soviet Socialist Republics through this channel. The original idea was to have different banks for various countries, but that idea was almost immediately abandoned as too complex to be practical. Thus, when in this same year financing with Cuba and other countries was needed, a second Export-Import Bank was instituted to deal with "all countries except Russia". This second institution created in March 1934 extended credits for Cuba and China. After a brief existence it was merged with the first Bank, and its charter was terminated by executive order of May 7, 1936.⁴

The combined resources of the two Banks was at first extremely small as compared with the value of United States foreign trade or even as compared with the larger private banks. The first Export-Import Bank had a capital stock of \$11,000,000. There were \$1,000,000 of common stock

³ Executive Order No. 6581. The certificate of incorporation in the District of Columbia, No. 22430, is dated Feb. 8, 1934. The certificate of incorporation was amended on Feb. 9, 1935, Apr. 3, 1936, and Jan. 10, 1941. The Bank was created under the authority granted by the National Industrial Recovery Act of June 16, 1933 (Public Law 67, 73d Cong.) and the Reconstruction Finance Corporation Act of Jan. 22, 1932, as well as under the Bank Conservation Act of Mar. 9, 1933.

⁴ Executive Order No. 7365.

in 10,000 shares and \$10,000,000 of preferred stock in 10,000 shares.⁵ The second Bank had preferred stock of \$2,500,000 and common stock of \$250,000. The common stock was retired by June 30, 1936 when the original Bank took over its activities. The preferred stock of the Bank amounted to \$174,000,000 in November 1944.

Since its organization the Bank has operated in close conjunction with the Reconstruction Finance Corporation. Through the later years its transactions were closely coordinated at times with those of the Commodity Credit Corporation and other financial, marketing, and production agencies, particularly those concerned with inter-American relations or with the handling of strategic supplies. Its board of trustees has consisted of representatives of the Departments of Commerce, State, Treasury, and Agriculture as well as of the Reconstruction Finance Corporation and later of the Foreign Economic Administration.⁶

On January 31, 1935⁷ the first Export-Import Bank was given the legal form under which most of its operations have been carried on, and shortly thereafter the trustees of the two Banks voted to liquidate the second Bank. Its shares and re-

⁵ One million dollars worth was paid for out of appropriations under the National Industrial Recovery Act; the balance was subscribed by the Reconstruction Finance Corporation.

⁶ At its formation there were 5 trustees representing the Departments of Agriculture, Commerce, and State and the Reconstruction Finance Corporation, there being 2 from the Reconstruction Finance Corporation (see Executive Order No. 6581 of Feb. 2, 1934), but the group was expanded to 9 on Feb. 14, 1934 (see Executive Order 6601-A). Additional representatives from the State and Treasury Departments, the Foreign Trade Commission, and Mr. Peek (assistant to the President) were added. The trustees were later increased to 11. These 11 persons represent the Departments of Agriculture, Commerce, State, and Treasury, the Reconstruction Finance Corporation, the Foreign Economic Administration, and officials of the Export-Import Bank (Annual Report of the Export-Import Bank, Washington, D. C., Jan. 6, 1944).

⁷ Public Law 1, 74th Cong.; see Hearings of Banking and Currency Committee on H. R. 4240 (S. 1175), Jan. 23, 1935. The act of Jan. 31, 1935 was further amended four times and the life of the Bank was extended to Jan. 22, 1947.

⁸ It also included a prohibition of loans to countries or their agencies whose governments were in default to this country on Apr. 13, 1934, the date of the passage of the Johnson Act, and loans which would violate the Neutrality Act of 1939. This phrasing was deemed necessary since the Johnson Act did not prohibit loans by governmental agencies.

sources were merged to the first Bank. Virtually no transactions were carried on in the first two years. With the failure of the original idea of financing trade with the Union of Soviet Socialist Republics, little interest was shown in the Bank.

The main changes in the legal characteristics of the Bank in the early years can be summarized briefly. The act of 1935, passed while the Bank was still largely inoperative, gave it special statutory basis and did little else except to remove the restrictions growing out of the limitations on discounting and on loans of more than 10 percent to one borrower which were in the District of Columbia laws. The life of the Bank was extended to June 16, 1937. The act of January 26, 1937 extended the life of the Bank until June 30, 1939 and made no other changes.

The second amendment, March 4, 1939, further extended the time-limit to 1941 but also added the limit of \$100,000,000 on loans and obligations. This latter provision was an indication of the modest nature of the undertaking. It was thought that such a limitation on the volume of business would be a wise precaution at a time when some feared that the Bank's credit might be used indirectly to help belligerents in carrying on the war. In the 1939 hearings discussion of the Reconstruction Finance Corporation, which was up for consideration, overshadowed the interest in the Export-Import Bank, which appeared in the bill as only one section.

The discussion of amendments to the act in January 1940 focused mainly on the possible use of the Export-Import Bank to finance war shipments and on the fears of unneutral transactions. As a result of evidence presented as to the Bank's neutrality and sound business standards, the act passed extending the limit for total loans outstanding from \$100,000,000 to \$200,000,000 but inserting a limit of \$20,000,000 on loans "to any one foreign country and the agencies and nationals thereof".⁸

OPERATIONS IN THE FIRST FIVE YEARS

Transactions during the first five years were small, with disbursements totaling less than \$62,000,000 for the period. The largest annual disbursements were \$21,113,216 in 1936. Repayments for the period were slightly more than half the disbursements or approximately \$35,000,000. Commitments based on agreements to participate in projects which had not yet reached the definitive stage aggregated more than \$200,000,000. About

half the authorizations had been cancelled for various reasons; a remainder were kept open. Then as later the Bank authorized credits for projects which were still in a preliminary stage, and the authorizations frequently allowed for a margin above the minimal needs.⁹

The transactions in the first few years were mainly designed to facilitate the marketing of United States products by granting more flexible and often more liberal conditions than those otherwise obtained. In some cases the interest charges were lower; in some, the time-limits were better adapted to the particular transaction than those through the commercial banks; in others, the sharing of the Bank in the credit burden was a significant factor.

The disposal of agricultural products and other surplus commodities was of particular interest at this time. Loans were granted for marketing United States tobacco in Spain and cotton in Italy, Czechoslovakia, Germany, Latvia, and Poland. The continuing depression had led to a widespread desire to provide facilities for orderly marketing and prevention of dumping. The facilities of the Export-Import Bank seemed designed to meet an urgent need.

Another type of loan was significant because of current monetary and exchange problems. During the pre-war years the large increase of monetary management and exchange control was accompanied in various instances by the blocking of accounts and frequently by the instability of exchange rates. These conditions seriously disturbed the flow of goods and threatened economic stability. The Cuban purchase of silver, though related to that country's currency, was a rather special case and was not so much a monetary measure as a credit to assist the Cuban Government—similar in some respects to credits extended on other occasions by the United States Mint. The loan to Brazil, though only a small portion of it was used, was made to ease Brazilian blocked accounts of American exporters. In this case the Export-Import Bank agreed to discount the notes of the Bank of Brazil at four percent up to a total of about \$27,750,000; however, actually slightly less than \$2,000,000 were discounted. The extension of credits to help in stabilizing the exchange rate of Peru eased the pressure so that

Peru did not actually need to use the funds. Colombia and Costa Rica also received credits which helped them to handle their exchange problems.

It is natural, in view of the preoccupation with the depression in the first five years, that financing of the sale of agricultural products and heavy goods was the central interest, and that developmental projects were not given so much emphasis then as later. It was agreed that the Bank filled a real need, because the conditions under which short-term credits extended were somewhat rigid with respect to maturity and types of guaranties. The European Central Bankers' meeting at the Bank for International Settlements in Basel and elsewhere had already devoted considerable attention to the possibility of developing "middle term" or intermediate credit to help in financing trade, particularly with countries when the typically commercial 90-day term caused difficulties. To some extent the Export-Import Bank by its flexible arrangements helped to fill the gap and demonstrated the feasibility of varied types of loans.

The use of special devices in the form of a barter arrangement involving cotton transactions with Germany, which might lead to trade practices new to this country, was rejected early in the Bank's experience, during the presidency of George N. Peek. These methods were held to be against this Government's foreign-trade policy, and it is possible that the Bank's rejection of measures characteristic of Fascist economies which might have resulted in a multiple price system, hidden subsidies, and dumping of commodities influenced all its future transactions. Mr. Peek, who resigned at this time, was succeeded by Warren Lee Pierson, the present president of the Bank.

Prior to the amendment of 1940 the most noteworthy loans, in respect to size or the uses to which they were put, were made to Chile, China, Cuba, Brazil, Finland, and Haiti. The loan of \$25,000,000 in 1939 to the Chinese-owned Universal Trading Corporation of New York was made to assist United States exports of agricultural and industrial products and the importation of wood oil to the United States, but this transaction was generally recognized as a sign of official support of China in her war with Japan.¹⁰ It was therefore not exclusively economic in significance. The need for the Brazilian credit already referred to rose mainly out of the special exchange restriction. It was granted primarily to ease a special monetary situation. The loan of June 1938 to Haiti was of

⁹ See Annual Reports of the Export-Import Bank.

¹⁰ BULLETIN of Mar. 28, 1942, p. 260, and Apr. 15, 1944, p. 356.

a developmental character for the construction of engineering projects, particularly roads and bridges, and thus had various social and economic implications. In 1939 another developmental credit was granted, namely the loan to the Chilean *Corporación de Fomento de la Producción*.¹¹ Though small, it is of interest as the first of several loans to development corporations of the other American republics. It involved the authorization of \$5,000,000. At that time other lending facilities of considerable interest were developed through a \$200,000 revolving credit, available up to a maximum of \$20,000 a year to any one firm.

These lending facilities illustrated that the loans were varied in character and that they covered a wide field. The 1939 amendment, however, by including the limit of \$100,000,000 on the total of loans, underscored the limited significance of the Bank. There was evidently little thought of the Bank's taking an aggressive part in a large number of developmental projects.

The early transactions may be considered as experimental, but they were also characterized from a business point of view as cautious and sound. In the hearings on the extension of the Bank's powers there has been no criticism with regard to the nature of its dealings with either United States or foreign firms. The loans attracted little attention; in fact if they had not served as a basis for later expansion to meet wartime needs, they might have had little lasting importance.

THE SECOND FIVE YEARS

Early in 1940, as indicated above, efforts were made to expand the scope of the Bank and to increase its resources. Bills introduced in the House and Senate¹² were the occasion of spirited debate which brought before the Congress significant facts with regard to our defense policy, relations with the other American republics, and the plans for using our financial resources for the mutual interest of United States exporters and business of the other American republics. The act creating the Export-Import Bank was twice amended in 1940, first on March 2 and then on September 26.¹³

The shift in emphasis that came with the war is indicated in the congressional discussions. It is summarized in part in the amended act:

"To assist in the development of the resources, the stabilization of the economies, and the orderly marketing of the products of the countries of the

Western Hemisphere by supplying funds, not to exceed \$500,000,000 outstanding at any one time, to the Export-Import Bank of Washington, through loans to, or by subscriptions to preferred stock of, such bank, to enable such bank, to make loans to any governments, their central banks, or any other acceptable banking institutions and when guaranteed by any such government, a central bank, or any other acceptable banking institution, to a political subdivision, agency, or national of any such government, notwithstanding any other provisions of law insofar as they may restrict or prohibit loans or other extensions of credit to, or other transactions with, the governments of the countries of the Western Hemisphere or their agencies or nationals."

The new statements relating to the Johnson Act and the Neutrality Act are embodied in the proviso:

"That no such loans shall be made in violation of international law as interpreted by the Department of State, or of the Act of April 13, of 1934 (48 Stat. 574), or of the Neutrality Act of 1939. Upon the written request of the Federal Loan Administrator, with the approval of the President, the bank is authorized, subject to such conditions and limitations as may be set forth in such request or approval, to exercise the powers and perform the functions herein set forth. Such loans may be made and administered in such manner and upon such terms and conditions as the bank may determine."¹⁴

The Export-Import Bank became thus a definite instrument of American foreign policy.

From the time of the passage of the amendments the whole orientation of the enterprise changed. For one thing, the amendment associated the addi-

¹¹ BULLETIN of Nov. 12, 1944, p. 571.

¹² Hearing on S. 3069 (H.R. 8477), Feb. 16, 19, and 20, 1940, Committee on Banking and Currency. Hearing on S. 4204, July 30, 1940, Committee on Banking and Currency. Hearing on H.R. 10361, Aug. 6, 7, 8, 13, and 14, 1940, Committee on Banking and Currency.

¹³ Act approved Sept. 26, 1940 (Public Law 792, 76th Cong.).

¹⁴ Act approved Sept. 26, 1940 (Public Law 792, 76th Cong.). The earlier proviso, relating to the first \$200,000,000 of credits, stating that loans should not be extended to borrowers whose governments were in default to this Government on Apr. 13, 1934, was still retained in the unamended part of the act.

tional \$500,000,000 with the need for assistance in the development of resources of the other American republics.¹⁵ In support of the bill the importance of strategic materials was stressed. Furthermore, the idea of economic support to neighboring countries as an aid to foreign policy was in the foreground.¹⁶

With the changes in the law came the use of other criteria in the approval of particular loans—notably the attempts to speed the production and to support those types of enterprises which would strengthen the economic structure of the other American republics, either specifically or through general improvements in their economic condition, and thereby assist in the defense of the Western Hemisphere.

Secretary Hull's speech before the Habana conference on July 22, 1940 had emphasized the need for closer economic relations among the American republics and had discussed the importance of special measures for handling surpluses, and the desirability for strengthening the Inter-American Financial and Economic Advisory Committee to assist in trade.¹⁷ He also urged the expansion of various financial and advisory facilities to assist in trade in the Americas. Article XXV of the Final Act of the Habana conference followed along the lines of that speech.

The President gave his support to the expansion of activities in a message and requested "that the Congress give prompt consideration to increasing the capital and lending power of the Export-Im-

port Bank of Washington by \$500,000,000, and removing some of the restrictions on its operations to the end that the Bank may be of greater assistance to our neighbors south of the Rio Grande, including financing the handling and orderly marketing of some part of their surpluses."¹⁸

In the hearings the Secretary of Commerce in reply to a question said that this amendment would constitute a departure from the theory of the Export-Import Bank as it had hitherto operated. At the same time he stated that it did not involve a shift from the policy of "trying to aid American exporters and manufacturers in their foreign business." The bill was designed mainly to enlarge the scope of the Bank and to adjust it to the changing needs. In the discussions of the past operations, figures presented for the commitments and disbursements showed that as of June 30, 1940 the commitments to Europe exceeded those to the other American republics, while disbursements under credits extended amounted to about \$84,000,000 to Europe and China as compared with about \$73,000,000 to the other American republics.¹⁹

The prolonged debate of the 1940 amendment was largely dominated by current arguments on defense measures and on neutrality legislation. In the Senate report of August 6, 1940²⁰ Senator Wagner, referring in each paragraph to some aspect of the war emergency, praised the past record of the Bank and urged its expansion "as a means of securing the total defense of the United States."

In contrast to the majority-committee support of the Bank, the minority views indicated fears that the "cartel" plan suggested at Habana "is not necessarily to end with the war or the economic dislocation caused by the war . . . the present bill, therefore, is part of a new economic policy."²¹ The main emphasis of the objections at this time was that the attempt to control surplus commodities was harmful, that this aid to South America is not an advisable foreign policy, and that the new policy had a "distinctly anti-German flavor".

In view of the enormous war costs and the expenditures under lend-lease, the \$700,000,000 limit of the Export-Import Bank seems small almost to the point of insignificance. To gain some idea of size and importance, one can note that expenditures from loans extended between 1940 and 1944 were not much larger than those under lend-lease²² and probably less than expenditures

¹⁵ Officials of the Bank have considered that the statement regarding the other American republics indicated only a potential limit on the loans outstanding at any time in that area. The over-all limit was increased to \$700,000,000.

¹⁶ At approximately the time the bill was approved, that is on Sept. 22, 1940, a 10-year loan was authorized for the development of a Brazilian steel mill.

¹⁷ See Hearings on H.R. 10212 (superseded by H.R. 10361), Aug. 6, 1940, etc., p. 6, of Committee on Banking and Currency. These hearings also give article XXV of the Final Act of the Habana conference. See BULLETIN of Aug. 24, 1940, p. 141.

¹⁸ BULLETIN of July 27, 1940, p. 41. See Hearing on S. 4204 before the Committee on Banking and Currency, 76th Cong., July 30, 1940, pp. 2, 3, 4, and 5.

¹⁹ See Hearings on S. 4204, July 30, 1940, pp. 26-37.

²⁰ S. Rept. 2005, 76th Cong.

²¹ *Ibid.*, p. 5.

²² Message from the President of the United States, Transmitting the 16th Report to Congress on Lend-Lease Operations for the Period Ended June 30, 1944 (Washington, 1944), p. 56.

through the office of the Coordinator of Inter-American Affairs. Expenditures under lend-lease to the other American republics are reported to have amounted to approximately \$172,000,000 on June 30, 1944, while the amounts of Export-Import Bank disbursements between January 1940 and June 1944 had been approximately \$200,000,000. Moreover, the purchases and commitments of the Rubber Reserve Corporation and the Metals Reserve Company were also substantial in amount. Admittedly, the economic effects in the other American republics of loans, purchases, and lend-lease vary greatly in different cases. Some of the funds are spent in the United States and some in the borrowing or receiving country. Thus, the comparison among the different categories and amounts cannot be carried far.

THE BANK AS A SUPPORTER OF DEVELOPMENT PROJECTS

Particular interest has been attracted by the activities of the Bank in Brazil. They have also been the largest of a considerable number of projects financed for any of the other American republics.²³ The largest disbursements to one country were, however, outside this hemisphere: \$116,000,000 in credits, the bulk of which were authorized in 1940, were extended to China.

Vivid accounts of the Brazilian steel and transportation loans make them appear to be of substantial importance to the United States in strengthening productive resources in the Western Hemisphere and, more specifically, to be of a considerable consequence to Brazil. In the case of the Companhia Siderúrgica Nacional, a large development about 90 miles from Rio, the Brazilian Government matched the first \$25,000,000 lent by the Bank. Thus, the effect of the \$45,000,000 worth of United States credits and equipment was increased to the scope of a \$70,000,000 project. Brazil owns the mills, with shares held by the Government, savings banks, and other groups. Since it has been estimated by some that Brazil may prove to have the largest iron-ore resources in the world, this enterprise has long-range implications beyond its possible significance in the war period. The other most conspicuous commitment to Brazil was made for aid in the development of the Itabira iron mines by means of improving the transportation. This loan was to be amortized over 25 years at four percent and was to be serv-

iced in part from the proceeds of ore delivered at an agreed price.²⁴

Mr. Pierson is quoted as saying that the object of loans such as those to Brazil was to help the other American republics to build up their industries and thus to "decolonize" them. He suggests that Europe had not been too sympathetic in the past but that the United States was clearly anxious to encourage constructive development of this type.

In 1942, at the conference at Rio and subsequently, there were discussions, in connection with the Export-Import Bank and the developmental projects, of the manner of maintaining adequate standards of government personnel, of assuring the necessary competence and initiative, and of preventing the funds from being squandered on useless projects. The Inter-American Financial and Economic Advisory Committee in August 1942 advised the other American republics to proceed with various types of plans and studies.²⁵ There was recognition of doubts as to the accomplishments of some of the developmental projects and as to the possible loss of some of their popular support locally.

The projects in Cuba, approved in 1941 under the National Development Commission and financed in whole or in part by the Export-Import Bank, are varied. The projects, which totalled \$25,000,000, included those for highways, irrigation, warehouses, agricultural machinery, and telegraph equipment, and other types of capital expenditures. The strictly national projects, with the use of United States credit, have succeeded better than those with a large share of United States direct participation.

²³Another series of loans in connection with the Inter-American Highway and various types of credits to the smaller countries merit attention. The disbursements for Cuba under Export-Import Bank loans included some funds for development. Several of the loans to Venezuela, Costa Rica, Ecuador, Haiti, and other countries affected wages and economic conditions in those countries. The projects designed to increase diversification and to improve irrigation and transportation as well as to assist low-cost housing developments were included.

²⁴BULLETIN of Mar. 7, 1942, p. 205.

²⁵An outgrowth of Export-Import Bank and other financing in the other American republics has been the setting-up of 21 Inter-American Development Commissions. See BULLETIN of May 6, 1944, p. 415. These were established on the recommendation of the Inter-American Financial and Economic Advisory Committee created earlier by the Pan American conference of 1939 at Panamá. See BULLETIN of Nov. 18, 1939, p. 564.

PRINCIPLES AND TECHNIQUES OF THE BANK

The general principles governing foreign lending by the United States Government are the results of broad economic and political aims in the international field. Only rarely, however, are the economic criteria in selection and administration modified in any significant degree by non-economic considerations. The activities of the Bank are in most respects similar to those undertaken by sound financial institutions with comparable resources. Some of the standards for granting credits can be indicated briefly. It is generally agreed that loans from public funds must be beneficial to both lender and borrower. Moreover, the projects must be sound in that they add strength to the entire economic fabric and provide the means for repayment of the loans. When a government is the borrower, the loans, provided they have a favorable effect on the economy and thus exert a favorable influence on revenues, need not be self-liquidating.

The Export-Import Bank insists on the assurance that managerial and technical ability be of a high caliber. It examines the projects in view of their effect on established interests and also scrutinizes the loans to assure that they do not compete with private financing, where credits are available on reasonable terms.

Financial Status

(as of November 15, 1944)

Total Commitments	\$1, 195, 203, 549. 96
Total Cancellations and Expirations	353, 158, 138. 44
Total Disbursements	475, 003, 851. 09
Total Repayments	251, 693, 494. 76
Total Outstanding Loans	223, 307, 356. 33
Balance of Commitments Not Yet Disbursed	367, 041, 560. 43
Total of Outstanding Loans and Balance of Commitments Not Yet Disbursed	590, 348, 916. 76

Whenever possible the loans granted are limited to the dollar requirements of the borrower and are not used to meet internal obligations and expenditures in local currencies. Some few exceptions have been made to this guiding principle. With a view to the long-run interests of the countries concerned, attention is given to the size of the

obligations being assumed, to the prospects of repayment, and to the promotion of friendly relations by protecting the rights of borrower and lender and by avoiding provisions that may lead to misunderstandings.

The resources and experience of the Reconstruction Finance Corporation have always been of substantial help to the Export-Import Bank. The RFC was first authorized to extend foreign loans in 1932 when it was empowered to finance the exportation of agricultural surpluses and to aid commerce in other ways. While it continued to exercise these functions after 1934, it also furnished some of its funds to the Export-Import Bank by purchasing preferred stock.²⁶ In addition to direct relations in connection with the sale of stock by the Export-Import Bank to the RFC, the interchange of ideas and expert knowledge has always been valuable in increasing the effectiveness of operations.

The techniques adopted by the Bank are familiar procedures. No attempt has been made at rigid standardization. The methods are designed to make certain that funds are devoted solely to the realization of the purpose of the loan and that expenses are kept to a minimum. It has aimed in part, by modifying ordinary financial procedures, to fill two main gaps in private facilities: the need for medium-term credit for commodities usually financed on a 90-day basis and the use of foreign funds for projects of broad local significance which are not yielding immediate and direct dollar profits.

The Bank has lent in dollars and has been repaid in dollars, thus assuming no exchange risk. The borrowers do not, as was so often the case in the loans to European countries after the first World War, incur large debts in foreign exchange to pay for an internal expenditure. Loans are made rarely in lump sums. They usually result in the establishment of a line of credit. The borrower uses only as much as he needs and pays no interest on the remainder authorized. Most of the loans led directly to purchases of United States goods for export; some few were spent locally on goods and services.

Interest rates were low, relative to the yields on many securities of the other American republics and on others which are comparable. The rate on stabilization credits was either 3 or 3.6 percent and on developmental and other types, 4

²⁶ Hearings on S. 3069, Feb. 19, 1940, p. 44. In the discussion the Secretary of Commerce said "the bank practically belongs to the R. F. C., so it does not matter whether we lend the money or buy the stock" of the Export-Import Bank.

percent. Since the volume of lending in each country was small, the influence of these rates is not clearly discernible. In fact it is usually assumed that as long as there is no direct or substantial competition with private loans little influence is to be expected. Opinions among economists differ as to the degree that loans by the Bank affect other borrowing.

In general, new lines of credit are not opened unless there is a probability for early use. The financing of individual loans usually takes the form of revolving credits set up locally by the government concerned to handle day-to-day expenditures. Usually each note bears its own authorization so that the total period is based on the time when the credits are actually used and not on the time when the line of credits was opened. The Export-Import Bank has used commercial banks as agents wherever possible, assuming part of the financial risks and dividing the return with the agent. This procedure has lessened the need for larger sales of preferred-stock borrowing from the RFC.

Although the length of life of the loans varied, most of the export and development credits run from 10 to 16 years, a few longer. Repayments are scheduled to begin at the earliest practicable date. This provision facilitates a gradual adjustment of the debtor and creditor to the transfer of principal in settlement of the debt.

The conditions on which the loans are granted usually include the employment of able technicians and engineers. The initiative for the loans has come sometimes from the foreign borrower and sometimes from the United States exporter or engineering firm. Frequently United States private institutions make the actual advances under an agreement of reimbursement. Sometimes they carry a share of the financing. When a loan is made for the sole purpose of financing the export of capital goods, it is the practice to assist other institutions through the purchase of the obligations issued by the foreign borrower. Sometimes the foreign agencies have participated on a considerable scale. The advisory and supervisory functions of the Bank have varied.

TYPES OF OPERATIONS

At all times the Bank has aimed at strengthening the economic position of this country and the other American republics. In recent years activi-

ties have been guided to some extent by broad considerations of defense. So far the loans have been fairly well distributed between short- and long-run projects. Although classification is difficult, a few main types can be noted briefly.

In the early efforts of the Bank, loans were made to facilitate the marketing abroad of surpluses of agricultural products and heavy goods which were hanging over the market in the depression years. Such commodities as cotton and tobacco were sold widely in small quantities to European countries.²⁷

Loans were made that were definitely influenced by broad international considerations, notably the ones made to China and Finland. Some of those loans made to the other American republics have also been in this category. The goods transactions which were arranged in connection with these advances were, however, similar to those designed to aid United States business.

Two types of exchange and monetary assistance were rendered by the Bank. The favorable influence of credits on the exchanges is illustrated by the advance to Peru. This credit however was not used because pressure on the exchange rate disappeared when it was known that dollar funds were available. Some credits for the Bank of Brazil were related to the exchange problems of 1936 and thereafter, more particularly the blocking of milreis balances. A number of other loans for the other American republics were in this category.²⁸

Another type of transaction, namely that for developmental projects, was evident first in the early loans to Chile and Haiti. Larger projects in Brazil and numerous advances to *fomento* and other public agencies followed. The Bank has found in some cases that government agencies, such as the development corporations in the other American republics, have provided satisfactory vehicles through which credits can be used. These loans were designed to aid in the diversification and strengthening of the economies of the other American republics and also to facilitate United States exports and healthy economic relations with this country. Transportation, electrification, and other similar categories can be distinguished from those to develop natural resources, those for industry, those for export of capital goods, and those

²⁷ Commitments in this category were made to Spain, Czechoslovakia, Italy, Denmark, Norway, and Sweden.

²⁸ Loans of the monetary and exchange type were made to Brazil, Nicaragua, Paraguay, Peru, and Costa Rica.

in which management and technical assistance play a large part.²⁹

Closely related to development loans in motive, but distinguishable in fact, were the commitments made to increase and speed the production of strategic materials. These were particularly evident in the more recent years, but in terms of dollars they do not, in fact, constitute a very large part of the whole.

There were a number of other authorizations which are difficult to classify but which are perhaps of equal significance. As signs of a diversification of the aid offered, there may be mentioned the loan to Cuba in connection with the coinage of silver, the arrangement to collect the notes of the Deutsche Getreide Handles Gesellschaft, and the Grain Stabilization Corporation. An attempt to find a clear pattern in the program of assistance in any case would be misleading.

To a considerable extent each transaction was viewed on its merits and was tested in relation to its effect on exports and general economic strength and also as a reasonable business arrangement. Within a broad framework of this sort, many advances could be made and a network of economic enterprise could be nourished and strengthened.

CONGRESSIONAL COMMENT ON THE ACTIVITIES

The Congress, in debate on the expansion of the Bank, has kept its obligations to the taxpayer in the foreground in considering whether the Export-Import Bank adds new costs and increases burdens of the taxpayer. It has on each occasion asked for the facts which would demonstrate the nature of the risk and possible losses. It has usually commended the administration of the Bank. It has approved adherence to a standard for public loans of the Bank similar to that of sound business undertakings. The Congress has also been concerned with the direct effects on United States production.

It has seemed necessary in the debates on the Bank to defend its operations in terms of the direct effect of loans on exports from this country. The statement made at one time that almost "every dollar" was spent in the United States seemed to carry considerable weight. Some of the discussions, in fact, tended to be mercantilistic in that exports have been considered as ends with little or no con-

sideration for eventual imports. Thus there was little evidence in the 1940 hearings of a long-range constructive trade outlook such as a new Congress may develop in support of more comprehensive measures.

Concern was evidenced in the 1940 hearings over the effect on international political relations. This concern was centered mainly around the neutral position of this Government and therefore was associated with the question of undesirable entanglement. There was apparently little fear of too much intervention in the other American republics. No comment was made on possible inflation in the borrowing country nor on the precautions the Bank was using to prevent inflation. No alarm was expressed over the danger that the international loans and new projects might bring about modifications in local economies.

It is apparent that arguments brought forward for expanding the Bank's activities in 1940 and the attitude of the Seventy-sixth Congress will not fit the problems that the Seventy-ninth Congress will face. Larger demands on the Bank will bring into the foreground to an increasing extent the questions of tariffs and imports and the question of repayment, not by individual firms and separate projects, but by national economies and large monetary areas. The problems of controls, discriminations, blocs, and exchange rates will be critical in the making of future financial decisions. A Bank of larger resources and effective world-wide scope will need strong national support in adjusting long-range international interests of all cooperating nations.

THE OUTLOOK FOR THE FUTURE

In many specific ways the prospects facing a government bank with funds to lend abroad are vastly different now from those of five years ago. The dominating idea at that time was the defense of the Western Hemisphere from the threat of war. Today, the dominating idea is the preparation for world-wide conversion and reconstruction. Already the emissaries of various governments have asked the Export-Import Bank for aid. Commitments to four or five governments have been made. The Bank is thus participating in European reconstruction in the first stages of a large effort at financial cooperation and physical rebuilding. Obviously the present resources of the Bank are small as compared with estimates of urgent post-war needs. Only a few hundred million dollars can

²⁹ Loans in this last category were made to Chile, Bolivia, Haiti, Brazil, Venezuela, Ecuador, Costa Rica, Mexico, Uruguay, Panama, the Dominican Republic, and Cuba.

be lent under present legislation. Larger resources are therefore likely to be proposed.

In the post-war years the Export-Import Bank will probably not be alone in the field of reconstruction. In fact it may carry only a portion of the total load. An international institution such as the proposed International Bank for Reconstruction and Development could take over many aspects of the reconstruction financing once it is in operation. There is little prospect, however, that a new bank will be on an operating basis in time to meet the first urgent requests. If the plan is adopted soon some time will still be required to make it a going concern. There is no reason to doubt the general capacity of the Export-Import Bank to finance various types of projects for European countries now and after the foundation of an international bank. It can finance quickly and efficiently business which either because of special interest, size, and maturity, or because of relations to former business arrangements may not be so appropriate for a world bank.

Since there will be large demands for American equipment and supplies, Export-Import loans are almost certain to be spent mainly on goods produced in the United States, irrespective of special clauses or policies designed to limit their uses. They can, in fact, offer real aid to United States business as soon as it is possible once more to ship goods abroad in large volume. The provision for additional commitments would enable the Bank to act quickly within an accepted framework of United States policy. Moreover, the Export-Import Bank could work with and through an international organization by taking advantage of the guaranties or facilities offered.

No type of loan that has not been financed already by the Export-Import Bank is likely to be needed in the reconstruction period. The principal difference to be expected is an increase in the size of the projects and in the amount of funds required. This change in fact raises serious questions of theory and policy which an enlarged Bank would have to face. Foremost is the question of repayment—not of each loan, but of a large and increasing body of loans by this country with growing charges for interest and amortization on debtor countries. Nothing in the nature of the Bank's operation can bring a complete solution of this problem, which is essentially the issue of free commerce and the willingness of creditor nations to accept imports on reasonable terms. However,

the critical significance of imports into the United States is being recognized now in many quarters.

Another fundamental question is the extent to which the desire to increase exports can be allowed to express itself through loans which call for specific purchases of United States goods if the volume of such loans grows to a substantial amount in terms of world trade. The effect of our export policy on the programs of other governments will remain an important aspect of the foreign-investment problem.

Since emergency requirements for capital goods, raw materials, and consumer goods run to tens of billions of dollars, the aims and policies of the world's outstanding creditor nation will be of critical significance. The Export-Import Bank has already demonstrated a workmanlike approach to international lending. The question of the nature of the Bank's role among larger and more broadly international agencies may soon arise. The urgency of strengthening this particular instrument, with comprehensive aims adapted to the greater demands of the future, is implicit in the evident needs of the many potential borrowers among the nations now being liberated from the burdens of war. If the familiar tradition and policies of the Export-Import Bank are followed, no course of action to disturb private lenders and cut down lendable funds is likely to result. The essential dependence on public support, both from taxpayers and from their political leaders in forming international policy and from private investors with capital to lend, is becoming daily more apparent.

The Export-Import Bank has had an unusual record. The success of its undertakings so far is widely recognized. It has conducted a large number of loan operations with a minimum staff and with relatively little expense; at no time have the managers and experts of the Bank's payroll been more than a score, and the entire staff has been composed of approximately 50 persons, with a consequent economy of overhead. The results have been achieved by use of the personnel and the facilities of the other commercial banks participating in these operations. Relations with these banks have always been cordial and have helped substantially to assure the effectiveness of the Bank. The operations of the Bank have supplemented and reinforced foreign policy at every turn, and within the limits placed on its resources its operations have strengthened this Government's international aims and programs.

Agreement Between the United States and Spain Relating to the Operation of International Air Transport Service

[Released to the press December 21]

Negotiations between this Government and the Spanish Government were begun in the spring of 1943 with the purpose of reaching an agreement relating to the operation of international commercial air services. These negotiations have now resulted in the following agreement which was concluded on December 2, 1944 by an exchange of notes between the American Ambassador to Spain, Carleton J. H. Hayes, and Foreign Minister José Félix de Lequerica on behalf of the Spanish Government:

AGREEMENT BETWEEN THE UNITED STATES AND SPAIN RELATING TO THE OPERATION OF INTERNATIONAL AIR TRANSPORT SERVICE

Article I

(a) 1. Air carriers of the United States are permitted to operate, pick up and discharge passengers, cargo and mail in international traffic at the following points within the territory under the jurisdiction of the Spanish Government, in operations over the following routes:

ROUTE 1

A route from New York through Lisbon to Madrid and Barcelona, proceeding therefrom to Marseilles, and points beyond, return being made over the same route.

ROUTE 2

A route from New York through Lisbon to Madrid, proceeding therefrom to Algiers, and points beyond, return being made over the same route.

ROUTE 3

A route from New York or Miami through South America, West Africa, Villa-Cisneros, and French Morocco, to Seville, Madrid, and Barcelona, proceeding therefrom to Paris and points beyond, return being made over the same route.

2. Spanish air carriers will be permitted to operate and pick up and discharge passengers, cargo and mail in international traffic at such point or points within the territory under the jurisdiction of the United States of America as will provide a route or routes of similar aviation importance to

those granted to the United States and set out in this Agreement. The specific point or points of access shall be determined by negotiation between Spain and the United States, in accordance with Article IX of this Agreement, at such time as the Spanish Government desires to prepare for the inauguration of service by a Spanish air carrier.

(b) Subject to the conditions set forth in this Agreement, the terms of the permits to be issued by each contracting party in favor of the air transport enterprise or enterprises designated by the other contracting party, the technical aspects of the operation, and other appropriate details of the conduct of the air transport services covered by this Agreement, shall be determined by direct consultation between the aeronautical authorities of each contracting party wherever feasible. Matters outside the scope of the aforementioned categories shall be dealt with as provided in Article IX of this Agreement.

(c) Aircraft of one contracting party using the public airports of the other contracting party, under any conditions permitted by this Agreement, shall also be entitled to use these airports, and all air navigation facilities available to civil traffic, on a national and most-favored-nation basis.

Article II

(a) Each contracting party will designate its own air carrier enterprise or enterprises which are to operate the services for which rights have been granted, pursuant to Article I(a) of this Agreement. Each party may authorize one or more of its air carriers to operate the service over each of the routes for which rights are granted to said party in conformity with Article I(a). Any permit issued by either party to an air carrier enterprise of the other party, in accordance with the terms of this Agreement, will be valid only so long as the holder of the permit is authorized by its own government to operate the services covered by such permit.

(b) The contracting parties may, at any time, freely replace their respective air carrier enterprises designated for the operation of the services in accordance with section (a) of this article, the newly designated air carrier succeeding to all the

rights and obligations of the air carrier which it replaces. Under no circumstances will a change of designated air carrier by one contracting party justify the replaced air carrier in petitioning for indemnity of any kind from, or exercising judicial action of any type against, the other contracting party.

(c) Each of the contracting parties reserves the right to withhold the granting of a certificate or permit to an air carrier enterprise of the other contracting party in any case where it appears that substantial ownership or control is vested in nationals of a third country. When it appears that substantial ownership or control of an air carrier enterprise of either party holding a certificate or permit issued by the other party is vested in nationals of a third country, the party issuing such certificate or permit may revoke it or make it subject to conditions or limitations; provided that revocation shall not be ordered nor conditions or limitations imposed without prior consultation with the other party.

(d) At least two weeks before beginning to operate the services which are the object of this Agreement, the carrier or carriers designated by either contracting party will notify the competent authorities of the other contracting party of the schedules, tariffs, general terms of carriage and type of aircraft which it is proposed to use. Similar notification will be given whenever the above-mentioned data are to be modified.

Article III

The certificates of airworthiness, certificates of competency or licenses issued or rendered valid by one of the contracting parties for the aircraft and crews which are to effect the services of the lines covered by the present Agreement will be valid in the territory of the other contracting party.

Article IV

On the basis of most-favored-nation treatment each of the contracting parties agrees not to impose, and to use its best efforts to prevent the imposition of, any restrictions or limitations as to use of airports and airways, connections with other transportation services, or pertinent facilities in general to be utilized within its territory, which might be competitively or otherwise disadvantageous to the air carrier enterprises of the other party.

Article V

(a) The importation or exportation of fuels, lubricants, spare parts, motors, equipment and material in general intended for exclusive use by aircraft of, or for operations by the air carrier enterprises of, both contracting parties will be effected on the basis of most-favored-nation treatment with respect to the payment of customs duties, inspection fees and other taxes and charges.

(b) The fuel and lubricants, as well as the legitimate equipment and stores on board the aircraft of either of the contracting parties arriving in and departing from the territory of the other contracting party, shall be exempt from customs duties or charges, even when the mentioned fuel, lubricants, equipment and stores aboard are used by the aircraft on a flight in that territory.

Article VI

The commercial air traffic between two points under the national sovereignty or jurisdiction of one of the two contracting parties is exclusively reserved to the party which exercises said sovereignty or jurisdiction. Each of the contracting parties shall be entitled to most-favored-nation treatment with respect to the carriage of such traffic in the territory of the other contracting party. For purposes of this Agreement, national sovereignty or jurisdiction is understood to mean the national metropolitan territory and outlying territories, possessions and colonies, and the territorial waters adjacent thereto.

Article VII

The rights conceded by either contracting party to the air carrier enterprises of the other contracting party shall be subject to compliance with all applicable laws of the issuing government and all valid rules, regulations and orders issued thereunder, including air traffic rules and customs and immigration requirements applicable to all foreign aircraft.

Any restrictions or prohibitions against flight over prohibited areas shall apply to the commercial aircraft of both parties.

Article VIII

Offenses committed in the territory of one of the contracting parties by the personnel of the designated air carrier enterprises of the other contracting party shall be reported to the competent au-

thorities of such other contracting party by the party in whose territory the offense was committed. If the offense is of a serious character the competent authorities will have the right to request the withdrawal of the offending employee or employees of the designated air carrier enterprise. In case of a definite repetition of an offense, the withdrawal of the designated air carrier enterprise may be requested.

Article IX

In case either of the contracting parties considers it desirable to revise any of the routes set forth in Article I, it may request a consultation between the competent authorities of both contracting parties, such consultation shall begin within a period of sixty days from the date of the request. In case the aforementioned authorities mutually agree on new or revised conditions affecting Article I of this Agreement, their recommendations on the matter will come into effect after they have been confirmed by a protocol or an exchange of diplomatic notes.

Article X

(a) This Agreement shall come into force on December 2, 1944 and shall remain in force until it is terminated in accordance with the procedure established in paragraph (b) of this Article.

(b) Either of the contracting parties may, at any time, give notice in writing to the other contracting party of its desire to terminate this Agreement. Such notice of termination may be given by either party to the other party only after consultation between both parties for a period of at least ninety days. The termination shall be effective after three months from the date on which the said notice is given by one of the parties to the other.

Inquiries on American Citizens In the Vicinity of Brussels

[Released to the press November 30]

The Department of State announces that the American Embassy at Brussels is prepared to receive inquiries and messages concerning the welfare and whereabouts of American nationals residing in the vicinity of Brussels. Inquiries should be forwarded to the Department of State. However, messages addressed to Americans in the Brussels area will be communicated to the Embassy

only in cases where the sender has been unsuccessful in attempting to use normal mail channels.

For the time being this service does not include inquiries or messages sent in behalf of aliens or persons not residing in the Brussels area.

Inquiries on American Citizens In the Vicinity of Marseille

[Released to the press November 30]

The Department of State announces that the American Consulate at Marseille is prepared to receive inquiries and messages concerning the welfare and whereabouts of American nationals residing in the vicinity of Marseille. Inquiries should be forwarded to the Department of State. Messages for communication to Americans in that area may be accepted for transmission to the Consulate only in cases where the sender has been unsuccessful in attempting to use normal mail channels.

For the time being this service does not include inquiries and messages sent in behalf of aliens or persons not residing in the Marseille area.

Anniversary of the Independence of Albania

STATEMENT BY ACTING SECRETARY OF STATE STETTINIUS

[Released to the press November 28]

The Albanian people have contributed to the defeat of the common enemy by their courageous resistance to Axis aggression and occupation. They have sustained this uneven struggle for over five years. Patriot forces, in conjunction with Allied operations throughout the general Balkan region, have now expelled the German invader from the southern and central areas of the country and from the capital, Tirana. Today, on the thirty-second anniversary of Albania's independence, they are moving on to complete the work of liberation.

The Government and people of the United States hope that with the reestablishment of their freedom the Albanian people will turn in unity to the pursuits of peace and the tasks of reconstruction which lie ahead.

Report by Joseph C. Grew on Recent Trip to Pearl Harbor¹

[Released to the press November 28]

I have only recently returned from a week spent with Admiral Nimitz at Pearl Harbor. I have been in intimate touch with the war in the Pacific. That was an experience of the most intense interest and value, and I want to tell you very briefly the highlights of my impressions.

First, the Admiral and his officers radiate confidence. Their eagerness and determination would inspire every American as they inspired me. The precision, the harmony, and the broad vision of their organization are simply magnificent. Working in close cooperation with General MacArthur, they share his determination, expressed when he left Manila, to come back into the heart of the Philippines, and they are equally determined to carry the war right into the heart of Japan.

Second, the Admiral and his officers are highly gratified—I will not say satisfied, for no commander can ever be satisfied until he attains his final objectives—with the results already achieved. Look at the map and trace our magnificent advances since those dark days at Guadalcanal.

Third—and this is important—Admiral Nimitz knows that the road ahead will be hard and long. He is indulging in no wishful thinking, no false optimism. He knows that he has a tough, difficult job ahead of him, and he wants the full support of our people in bringing that job to a successful conclusion. On my return from Pearl Harbor I ask our people to give him that support. That does not mean passive support; it means active support, and you and I can give him that active support. I have bought war bonds, but I am going to buy more as a result of my visit to Pearl Harbor. I only wish I could inspire everyone who is listening tonight to do the same.

Now just a word about the conduct of the war in the Pacific. You know pretty well from the published reports how it has been going. You know of our territorial advances, of the staggering number of Japanese ships that have been destroyed by our planes and submarines, and of our inspiring naval successes in the battles off Formosa and in the Philippine Sea. The details have been published.

You have read of the bombing of Tokyo by our B-29's. I saw the Doolittle raid over Tokyo in

April 1942 and had been waiting and hoping for quite a while for the follow-up. The follow-up has come, and my guess is that it is going to continue with constantly increased intensity. But don't be misled by the popular idea that Tokyo and other Japanese cities are tinderboxes. It is true that many of the Japanese houses are built of wood and paper and are highly inflammable, but after the great earthquake in 1923 the Japanese built wisely and well, laying out their residential areas protected by broad intersecting boulevards, which under usual circumstances would cut short any great conflagration, and their fire-fighting organization is extraordinarily proficient. Furthermore, the great buildings in their business sections have been erected with the special purpose of withstanding the ravages caused by the great earthquake and fire of 1923. Tokyo will not be easily destructible. But those B-29's are concentrating on the Japanese war-production plants, and these, I feel confident, they will utterly destroy.

Still, do not let us minimize the extent and difficulty of the job ahead. Admiral Nimitz and General MacArthur are absolutely determined to see it through to its end, but let us make up our minds that it may be long and hard and costly before we are through.

Let me go back to my days in Japan. The Japanese, before Pearl Harbor, used to laugh at the idea of America fighting total war. They looked on us Americans as a decadent race, a pampered and effete people, who, they confidently believed, could never organize themselves and make the sacrifices necessary for the waging of total war, a people who lacked the grit and determination and stamina to fight through, regardless of cost and sacrifice, to final victory.

"This is the day of the totalitarian powers," my Japanese friends said. "Germany will win the war and will control all of Europe, while we shall put into effect our Co-prosperity Sphere in all of Great East Asia. Democracy is bankrupt. We," they added, "are prepared to lose ten million men. How many are you prepared to lose?" And they laughed in mirthless humor.

¹Broadcast over the Columbia Broadcasting System on Nov. 28, 1944. Mr. Grew, former American Ambassador to Japan, is Director of the Office of Far Eastern Affairs, Department of State.

Well, I saw during my years in Japan what their co-prosperity sphere was to entail: A *Pax Japonica*, with Japan in economic and political control of every country in all East Asia; East Asia for the Japanese; and then, eventual control of these United States. Yes, that was their program.

Fellow Americans, there is one outstanding quality, among many others, that has made our country great, namely, our refusal to quit, our refusal to leave a job half done. If our pioneers hadn't possessed that quality in full measure, if they had been intimidated by danger and death, if they had been discouraged by the call for the very last ounce of their determination and grit, their stamina and staying power, if they had been tried and found wanting, our nation might never have come into the full glory of its flowering as it has today.

Once again, our people are called to the highest endeavor, to danger and death abroad, to the demonstration of our determination and grit, our stamina and staying power at home. Shall we be tried and found wanting? I do not think so. We cannot and certainly will not be untrue to our great heritage. So we must seize the opportunity that now presents itself in this Sixth War Loan drive once again to fortify ourselves for total war to final victory.

Fellowships in Public Administration for Representatives from Other American Republics

RESCISSION OF REGULATIONS UNDER TITLE 4, PART 250

The above regulations of the Bureau of the Budget, Federal Register May 6, 1944, page 4799 are hereby rescinded.

Hereafter, the above matter will be dealt with under the Department of State regulations published in the Federal Register of August 23, 1944, page 10243 as Title 22, Part 28, Code of Federal Regulations.

Issued this 8th day of November 1944.

HAROLD D. SMITH,
Director.

Approved: November 23, 1944.

E. R. STETTINIUS, Jr.,
Acting Secretary of State.

THE DEPARTMENT

Furnishing of Information to the Congress and the Bureau of the Budget¹

Purpose. The purpose of this instruction is to prescribe the procedure to be followed within the Department in furnishing to Congress information regarding proposed or pending legislation, as requested by the President through Bureau of the Budget Circular no. A-19, Revised August 1, 1944, and in furnishing the Bureau of the Budget with the official views of the Department regarding proposed Executive Orders.

1 *Proposed or pending legislation.* Bureau of the Budget Circular no. A-19, Revised requests all executive departments and establishments to furnish the Bureau of the Budget in advance with copies of recommendations or reports regarding proposed or pending legislation intended for submission to Congress, a member of Congress, or any Congressional committee.

2 *Proposed Executive Orders.* From time to time the Bureau of the Budget requests an expression of the Department's views regarding proposed Executive Orders which have a relation to the Department's responsibilities and functions. This instruction indicates responsibility for the coordination and formulation of the Department's replies to such requests.

3 *Administrative clearance within the Department.* (a) The Department's advice on proposed or pending legislation, or Executive Orders, may concern several divisions and offices. The views of all the interested and responsible divisions must, therefore, be taken into account in formulating over-all Departmental recommendations, reports, and advice on such matters.

(b) There are listed in this Instruction the offices which have primary responsibility for analyzing and advising on proposed legislation or executive orders, coordinating the views of divisions whose functions may be affected, and obtaining advice from the Bureau of the Budget on the relationship of proposed legislation to the program of the President or furnishing that agency with

¹ Administrative Instruction, General Administration 12, dated and effective Nov. 28, 1944.

the Department's views on proposed executive orders.

(1) By Departmental Order 1218 of January 15, 1944, p. 4, the Assistant Secretary (A-L) is responsible "for all matters concerning the Department's relations with Congress, with the exception of matters relating to appropriations and the administration of the Department and the Foreign Service."

(2) The Legal Adviser is by the same Departmental Order responsible for advising on all matters of a legal character.

(3) The Office of the Foreign Service is responsible for analysis and advice on all matters affecting the Foreign Service of the United States, and the relations between the Foreign Service and other agencies.

(4) The Office of Departmental Administration is responsible for analysis and advice on the administrative implications of legislation and Executive Orders affecting the organization and administration of the Department and its relations with other agencies.

(5) The Budget Officer of the Department is responsible for analysis and advice regarding appropriations and all budgetary and fiscal matters.

(c) All matters concerning proposed or pending legislation or executive orders should be referred to the appropriate office, as listed above, for handling.

4 *Related Administrative Instruction.* Attention is directed to AI-CR3 of June 5, 1944 which outlines directions for the preparation of correspondence regarding proposed legislation.

JOHN ROSS
Director,

Office of Departmental Administration

Reinstatement of Returning Veterans With Reemployment Rights¹

[Released to the press November 29]

Purpose. The purpose of this order is to define the Department's policy with respect to the reinstatement of returning veterans having reemployment rights.

Background. According to the provisions of the Selective Training and Service Act of 1940, as amended (54 Stat. 885), the Department is legally obligated to reinstate former employees who qual-

ify for reemployment. However, it is not only a legal but a moral obligation, which is fully recognized and which will be discharged with due regard to the spirit and intent of the law.

1 *Reinstatement of Veterans Having Reemployment Rights.* (a) Any former employee of the Department of State, whose appointment was other than temporary, who:

(1) Is on military furlough;

(2) Resigned for the purpose of entering the armed forces, and entered the military service with no intervening employment after the date of resignation from the Department;

(3) Transferred to a federal war agency; or was released and accepted immediate employment in an essential war industry, with reemployment rights in the Department, and subsequently entered the armed forces;

(4) Is now in the military service, receives an honorable discharge, and is able to perform the duties of a position;

shall be entitled to the reinstatement benefits indicated in paragraph 1(b).

(b) Veterans meeting the above qualifications shall be entitled to the following benefits:

(1) Reinstatement to any position to which he would have been promoted had he not been absent for military or naval service;

(2) Reinstatement to the position which he held at the time of his entry into the military or naval service;

(3) If neither of the above positions referred to exists, reinstatement to a position comparable as to seniority, status, and pay with the position which he held at the time of his entry into the military service.

(c) All reinstatements shall be made without loss of seniority rights or any other rights depending on length of service.

(d) Applications for reemployment are to be made to the Division of Departmental Personnel within forty days after separation from military service. Each applicant shall be reinstated to a job within thirty days from the date of his application.

2 *Responsibilities of Offices and Divisions in Providing Positions for Returning Veterans.* (a) The responsibility to provide positions for re-

¹ Departmental Order 1295, dated and effective Nov. 1, 1944.

turning veterans with reemployment rights rests with the directors of offices and chiefs of divisions.

(b) Preliminary procedures covering the reinstatement of such employees have been put into effect. The Division of Departmental Personnel is prepared to assist the offices and divisions in all phases of the veterans reemployment program and will be responsible for the initial interview, reemployment and effective placement of these employees. Also, this division has made a survey of the military and reemployment status of former employees now in the armed forces, and this information will be made available to all offices and divisions.

(c) In fulfilling this obligation, responsibility exists even though the functions of the returning veteran's former organizational unit may have been transferred to another office or division of the Department, or the unit, with its functions, may have been abolished.

(d) The Department is in a period of personnel expansion, which should provide an opportunity to plan for the reemployment of these returning veterans. The obligation to reinstate former employees who are eligible for reemployment shall be borne in mind in planning and fulfilling the Department's requirements for the recruiting of personnel.

E. R. STETTINIUS, Jr.
Acting Secretary

THE FOREIGN SERVICE

Examination for Admission to the Career Foreign Service

Assistant Secretary Shaw¹ made the following announcement on November 24, 1944:

TO THE OFFICERS AND EMPLOYEES OF THE DEPARTMENT OF STATE AND THE FOREIGN SERVICE:

It has been decided to hold an examination for

¹Chairman of the Board of Examiners for the Foreign Service.

admission to the career Foreign Service on March 9 and 10, 1945. This examination will be open to qualified and approved candidates who are in the employ of the Department of State or of the Foreign Service of the United States (including the Auxiliary) when certifications close forty days in advance of the examination date.

The written examination will consist of the following parts, to be given on 2 successive days, and will be held in Washington and at any post in the Foreign Service at which approved applicants may be found:

A First General Examination—that is, a test of ability to read with comprehension and reasonable speed.

A Second General Examination—that is, a test of comprehension of simple numerical relationships and the ability to make simple mathematical deductions.

A Third General Examination—that is, a test of accuracy of factual information and of vocabulary.

A Fourth General Examination—that is, a test of ability of expression in written English.

A First Special Examination—that is, a test of ability to read with comprehension French, German, or Spanish.

This examination has been devised for candidates who meet the requirements of the Department in respect to intelligence and education, but who have not had an opportunity for review or special study in preparation for the examination.

Candidates receiving a grade of 70 or higher in the written examination will be invited to appear for oral examination before the Board of Examiners for the Foreign Service on dates in June to be announced later. Candidates who can not conveniently report for oral examination in June may report for oral examination on dates in September to be announced later.

Candidates receiving an average of 80 or higher on the written and oral examinations, both counting equally, will be placed on the list of those eligible for appointment. In view of the current acute shortage of career Foreign Service officers, successful candidates may expect appointment with little delay. Appointments will be to an Unclassified grade in the Foreign Service at a sal-

ary between \$2,500 and \$3,400 per annum, to be determined by age, experience and qualifications. Appointees without previous field service will initially be assigned to the Department for a brief period of training before receiving field assignments.

Applicants, to be certified for the written examination, must—

- (1) Be over 21 and under 35 years of age, except that Vice Consuls and employees of the Foreign Service shall be eligible until they reach the age of 45, provided they were appointed to the Service before they reached the age of 35 years;
- (2) Have been a citizen of the United States for at least 15 years before date of certification for appointment (22 U.S.C. 5);
- (3) Not be married to an alien (F.S.O. 114, February 29, 1940).

In as much as this examination is open to employees of the Department and of the Foreign Service only, the usual form of application with endorsements will not be required. Eligibility for certification will be determined so far as possible from personnel records.

Application for certification shall be made in writing or by airgram to the Division of Foreign Service Personnel, Department of State.

Further details will be announced at an appropriate time.

In the near future a meeting will be arranged at which the Chiefs of the Divisions of Foreign Service Personnel and Departmental Personnel will be prepared to answer any questions that prospective candidates may wish to ask.

G. HOWLAND SHAW

Confirmations

On November 24, 1944 the Senate confirmed the nomination of Jefferson Caffery to be American Ambassador to the *de facto* French Authority.

On November 30, 1944 the Senate confirmed the nomination of Patrick J. Hurley to be American Ambassador to China.

PUBLICATIONS

DEPARTMENT OF STATE

Conference at Bretton Woods Prepares Plans for International Finance. By John Parke Young. Conference Series 57. Publication 2216. 30 pp. 10¢.

OTHER GOVERNMENT AGENCIES

Events Leading up to World War II: Chronological History of Certain Major International Events Leading up to and During World War II With the Ostensible Reasons Advanced for Their Occurrence, 1931-1944. 78th Cong., 2d sess., H. Doc. 541. iv, 421 pp. 50¢.

Seventeenth Report to Congress on Lend-Lease Operations, Message From the President of the United States Transmitting the Seventeenth Report to Congress on Lend-Lease Operations. 78th Cong., 2d sess., H. Doc. 764. 35 pp., tables, charts.

The articles listed below will be found in the December 2 issue of the Department of Commerce publication entitled *Foreign Commerce Weekly*, copies of which may be obtained from the Superintendent of Documents, Government Printing Office, for 10 cents each:

"Swiss Chemical Industries: Highlights of Recent Developments", by Walter H. Sholes, consul general, American Consulate, Basel, Switzerland.

"Main Aspects of Cuba's Graphic Arts Industries", by Thomas S. Campen, assistant commercial attaché, American Embassy, Habana.

LEGISLATION

Amending Section 327 (h) of the Nationality Act of 1940. H. Rept. 1925, 78th Cong., on H.R. 4981. 2 pp. [Favorable report.]

Amending Section 342 (b) of the Nationality Act of 1940, Waiving Certain Fees for Members of the Armed Forces. H. Rept. 1926, 78th Cong., on H.R. 5465. 3 pp. [Favorable report.]

Correcting an Error in Section 342 (b) (9) of the Nationality Act of 1940, as Amended. H. Rept. 1927, 78th Cong., on H. J. Res. 316. 1 p. [Favorable report.]

Amending Section 28 (c) of the Immigration Act of 1924 in Order To Bring the Definition of That Term Current. H. Rept. 1928, 78th Cong., on H.R. 5156. 3 pp. [Favorable report.]

Amending the Law Relating to the Authority of Certain Employees of the Immigration and Naturalization

Service To Make Arrests Without Warrant in Certain Cases and To Search Vehicles Within Certain Areas. H. Rept. 1929, 78th Cong., on H.R. 5464. 3 pp. [Favorable report.]

Amending Section 401 (a) of the Nationality Act of 1940 so as To Preserve the Nationality of Certain United States Citizens Who Have Been Unable To Return to the United States. H. Rept. 1930, 78th Cong., on H.R. 5496. 3 pp. [Favorable report.]

Amending Section 201 (g) of the Nationality Act of 1940. H. Rept. 1931, 78th Cong., on H.R. 5513. 3 pp. [Favorable report.]

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licable. Whether the machinery will work will depend mainly upon the economic policies which the nations of the world are willing to follow. The major contribution which the United States can make to the effectiveness of this machinery and to its own prosperity is the adoption of policies designed to facilitate its participation in world trade and finance in a manner commensurate with its power and responsibility.